

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF BIG RAPIDS	County MECOSTA
Audit Date 6/30/05	Opinion Date 8/17/05	Date Accountant Report Submitted to State: 12/21/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

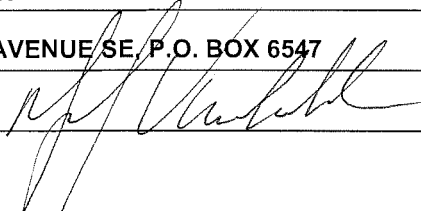
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 2330 EAST PARIS AVENUE SE, P.O. BOX 6547	City GRAND RAPIDS	State MI	ZIP 49516-6547
Accountant Signature 		Date 12/21/05	

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF BIG RAPIDS
YEAR ENDED JUNE 30, 2005**

**ISSUED BY
Treasurer's Office**

**TREASURER/ASSESSOR
Lorraine James**

SUPPORT STAFF
Paul Cole, Income Tax Administrator
Jean Schneidt, Assistant Treasurer
Joyceann Francis, Appraiser
Carla Staffen, Accounting Clerk
Heidi Horan, Finance/Utility Clerk
Melissa Hauger, Benefits/Finance Clerk
Paula Weipert, Assessment Technician
Barbara Obert, Receptionist/Account Clerk
Harry Brennan, Meter Reader
Kelly Boos/Income Tax Clerk

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CITY OF BIG RAPIDS

226 North Michigan Avenue
Big Rapids, MI 49307

August 16, 2005

Members of the City Commission and the Citizens of the City of Big Rapids:

The Comprehensive Annual Financial Report of the City of Big Rapids, Michigan, for fiscal year ended June 30, 2005, is submitted herewith. The financial statements included in this report have been audited by Rehmann Robson, an independent firm of certified public accountants. The report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable State statutes and Generally Accepted Accounting Principles (GAAP) as stated in the Governmental Accounting Standards Board statements and interpretations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, and that it is presented in such a manner as to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its funds.

The independent audit of the financial statements of the City of Big Rapids was part of a broader, audit in accordance with Government Auditing Standards issued by the comptroller General of the United States of America. As part of this audit a Report on Compliance and on Internal Control over Financial Reporting based on an audit of financial statement has also been provided.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Big Rapids' MD&A can be found immediately following the report of the independent auditors.

City Manager	231-592-4020	City Treasurer	231-592-4002	Neighborhood Services	231-592-4035
Assessing	231-592-4030	DART	231-796-8675	Public Safety	231-527-0005
City Clerk	231-592-4000	Income Tax	231-592-4012	Public Works	231-592-4015
Water Plant	231-796-6231	Engineering	231-592-4018	Wastewater Plant	231-796-8483

REPORTING ENTITY AND ITS SERVICES

The City of Big Rapids is located 60 miles north of Grand Rapids, 45 miles south of Cadillac on U.S. 131, a four lane highway connecting Chicago to Traverse City via Kalamazoo. This route provides significant access and economic benefit to the area carrying commerce and much tourist traffic to vacation spots in northern Michigan and the Upper Peninsula. Big Rapids is the county seat of Mecosta County and is therefore the political center of the region. This position continues to produce economic benefit and advantage for the community.

Ferris State University – with its 1300 employees and 9630 students (in the fall of 2005), is the region's largest employer and the driving force behind the economic, social and cultural forces in Mecosta County. Dr. David Eisler was inaugurated into the presidency of the University in 2003, and has produced energy and dynamic progress at the institution. Enrollment is up 340 students in Big Rapids – and retention of upper-class students is at a record high 70% (which is well above the Michigan University average). This impressive growth is being accomplished at the same time that entrance standards are being raised. SAT scores for admission are now an 18 and will be moving to a 20 by 2006. This certainly brings to Big Rapids a student more interested in a career and academic study – and one who has already a proven track record. The improving attitudes of the students are already evident in the community.

This year a record number of students worked as interns for the City in areas of accounting, police, and fire, environment, public works and neighborhood services. One campus group offered labor to paint the homes of 5 local residents who did not have the financial resources to complete such projects on their own. Many others volunteered for earth day and other non-profit fundraising and cleanup activities.

The focus on campus for the coming year is the remodeling and expansion of the IRC (Information Resource Center). This special appropriation was considered a major lobbying coup for the University as the higher education projects across Michigan were few and far between considering the economy of the state. Over \$8,500,000 was appropriated by the legislature to fund this project. President Eisler has set a five year goal of completely renovating the academic teaching classrooms. This is, of course, the fundamental element of any school, and upgrading classrooms with appropriate technology and teaching aids is paramount to effective learning. Another multi year goal is the wireless internet (wi-fi) capability of the entire campus. About one third of the geographic area of the campus was completed this year, with the remaining elements to be finished by 2008. These projects will put Ferris in the forefront of teaching and be a significant recruitment tool of the University.

Remaining on the drawing table for significant improvement is the construction of a new optometry building. At present Ferris is the only University in Michigan offering a degree in optometry. A new structure in the West Campus area would be a needed addition to the prestige of this degreed program.

The City's legislative body is a five member Board of Commissions which is elected by a vote of the public. The mayor has a two year term while the four Commissioners serve four year terms. Ed Burch was re-elected in 2003, and will be running for another term in November 2005. Both the mayor and commissioners are term limited to 8 years. With that rule in place the folks

running for election in 2005 will all be serving their last term in office. Tom Hogenson and Peggy Brennan will be running for the two Commission seats along with Mayor Burch.

The administrative side of the government will change in the coming year as Safety Director Kevin Courtney retires. Kevin has served as Police and Fire Division director for 11 years and has brought the two divisions to a level of professionalism and expertise that rivals any in the State. Hiring with precision and skill, the individual abilities of the members of the divisions have been a growing source of pride for the community throughout his tenure. Kevin deserves great praise and will be remembered for leading the community in a successful campaign to construct a new safety building with enough room to be of effective use for 40 years. Kevin completed this task on time and under budget – a feat commensurate with his administrative abilities.

In addition to the coming transition in Kevin's leadership, Jonathan Scott, the Economic Development Director for Mecosta County has also submitted his resignation to return to North Dakota and assume a position in the State Development office there. While we certainly wish Jonathan well, his knowledge of development practices and area traditions will create a vacuum. Jonathan's most significant contributions to the position included guiding many local expansions, leading the recruitment of Hayworth's steel operation, combining the activities of the MCDC and the IDC into one comprehensive and cohesive organization, initiating a free enterprise academic program in the Charter school, and negotiating for a new industrial park with the EDA.

The remaining department staff remains talented and very capable – and enjoys long experience and tenure with the Community. They include:

Lorraine James – Finance	Kevin Courtney – Public Safety
Don Greiner – Engineer	Tim Vogel – Public Service
Eric Williams – Attorney	Roberta Cline – Clerk
Tim Moslener – Technology	Gaylynn Rorabaugh – Library

The City is led by the administrative branch as approved by the Commission. This leadership is guided by a series of citizen committees. Most important in this process, these committees represent a cross section of the residents who serve without pay to recommend policy, make decisions, and guide progress. Planning Board, Park Board, Tax Board of Review, and Board of Adjustment comprise the most active of these public boards.

ECONOMIC CONDITION AND OUTLOOK

The State of Michigan has experienced severe economic shortfalls in the past 3-5 years. This trend has been deeper in Michigan than most of the United States and seems to be harder to shake off. At this writing only Mississippi has a higher unemployment rate than Michigan, a condition which seems very difficult to explain. This situation has created difficulty for the legislators in Lansing, who have seen the local revenue sharing reduction as a significant way to help balance the State Budget. Cuts in State support have reduced the Big Rapids general revenue sharing dollars by \$200,000 in 2005. As the City depends on this state aid for

approximately 25% of its general fund budget, these cuts have caused serious review of the City programs and a significant tightening of the budgetary belt.

City revenue has also taken a serious 'hit' with an error in income tax liability by the Centennial Wireless Communication Company. Centennial, since 2002, had incorrectly reported profits from three wireless towers with ADDRESSES 'Big Rapids', as located IN TOWN. In actual fact only one of these towers was actually within the corporate limits and therefore subject to the income tax payment. This correction in reporting not only has resulted in a 'loss' of \$200,000 in tax revenues, but also in a negotiated refund of \$95,000 annually until the overpayment has been completely returned.

The City Commission has taken the position for many years that property tax increases are not an option. The residents of the community already contribute a 'reasonably fair' property tax for community services and increases above an area average would be counter-productive to economic health. With Ferris State University within the community, Big Rapids has the unique position of having 60% of its real estate exempt from property taxes. Property taxes are therefore considered a rather disproportionate method of producing revenue. For over 10 years the Big Rapids Commission has held the line on Commission voted taxes. Only increases for capital construction projects have been enacted after a vote of the people. The public has been extremely supportive in their votes for the passage of such community needs.

With this philosophy, the administration has begun to look at service charges as an appropriate way to increase income and to 'more properly account' for the 'true costs' of providing services. Two increases were voted in 2005 – one for parking tickets and the other for Student Rental Inspection Fees. Parking Tickets have long been \$5 per violation. This cost has been so low that in many instances it was more financially prudent to pay this charge than park properly. With the support of the downtown merchants this fee was raised to \$15 per incident. Around \$40,000 is expected to be generated from the increase in this charge.

Rental inspections have also not been raised for over 15 years. Big Rapids fees have remained \$20 per unit while other Communities have seen increases pushing inspection fees to into the \$50 range. The Administration recommended a two year increase in these fees which will take the inspection charge to \$40. This increase will bring in another \$60,000. These charges were designed to cover half of the loss in local revenue sharing from the State. Additional review will be needed to offset the Income tax loss. It is clear, however, that additional belt tightening will be needed over the next several years in order to get the City's financial house in order.

Of significant concern in recent years is University housing. Steady, measured growth in the University has led to pressure in the housing stock around the University to place students in 'typical' residential homes. As this pressure has grown, so have the complaints from neighbors who have felt the squeeze in the housing and the sometimes noisy and rowdy college students. The private sector has begun to respond to this pressure and construct student rental complexes and appropriate lining environments. Kevin Defever has opened a 300 bed apartment complex south of campus and plans another comparable expansion for 2006. Marcel Bergler, a developer from Grand Rapids, is about half way through construction of an upscale complex having 288

beds. Two other existing complexes – Clark Street and Rapids Apartments have completed more modest expansion.

The availability of over 1,000 new student living quarters in the next year will change the housing environment in the community. While the University plans continued student growth, it will not occur at this rapid pace. The City and Good Neighbors Association have already begun initiatives with the Housing Authority to take advantage of these trends and to ‘reclaim’ some of these residential neighborhoods.

Dubbed the ‘Buy Back the Neighborhood’ program, this initiative appropriates City funds to purchase targeted homes, sell them to the Housing Authority for renovation and resale to LMI (low moderate income) folks as a starter home. A deed restriction in the sale provides for a permanent use of the home as a single family.

Further review of zoning codes brought the realization that the target residential area is ACTUALLY zoned R-3 – which philosophically promotes the sale of residential homes for student housing. A new R-P (residential professional) district has therefore been proposed which would allow homes and professional offices – but stop the continued conversion to student rentals. Interest is being cultivated in this legislation – with the likelihood that some controls will be enacted in 2006.

The City ‘Padlock ordinance’ gained its first ‘client’ this year. Three ‘nuisance parties’ were reported at 409 Michigan in a 6 month period – and the commission padlocked the home for a period of 3 months to resolve this problem. Two other houses were brought before the Commission – but the voluntary eviction of the tenants by the homeowners resolved the issue without imposing the padlock provision. It is expected that in 2006 much attention will be given to this subject and greater care and quiet will prevail in the residential districts.

Another initiative of great interest has just been started to help control garbage. 95 gallon roll carts or polycarts offer an efficient method of handling refuse. These large capacity plastic receptacles provide the advantage of attached lids, mobile containers, stable carts, and quicker pickup. Negotiated for \$2 per month additional charge, the City also amended the refuse code to allow the Neighborhood Services Department powerful ‘negotiation and introduction’ rules for location of these units into the community. Popular in other communities, these polycarts bring the potential of greater cleanliness and order especially in the student sections of town.

General residential variety has been improved with the construction of an upscale riverfront complex off Baldwin Street (Tioga Park) and a subsidized housing complex expansion of Ryan Creek. New plats have been approved for a 12 unit residential area – Copper Point - off Woodward and a high end residential plat near the fairgrounds – Hills of Mitchell Creek. Woodward plans an ‘historical’ look of homes on relatively small lots with lots of amenities. ‘Hills of Mitchell Creek’ envisions homes over \$300,000 on a dramatic piece of land with each lot exceeding an acre in size. All residential areas plan to use City water and sewer and will be an asset to the housing mix.

In the midst of the economic challenge – Big Rapids industries have remained strong. Big Rapids Products and Mark IV have led the way with expansions and new employment. 'Products have installed new presses and picked up contracts from the major automakers. They received tax abatement incentives for their initiatives and have exceeded their employment targets by over 25 persons. Benedicts finally closed their 15 man operation and moved their production out of the County. Their building is on the market at this time – but this was the only closure during this year. Wolverine temporarily reduced staffing – eliminating the third shift, but at the end of the year had regained the necessary contracts to be back over the 400 employee level.

Business in the area continues to grow and expand. This year brought the finalization of the Menards construction plans and the opening of Ruby Tuesday's restaurant. In town the Rite Aid Pharmacy moved and expanded their business closer to campus. Rex Schuberg renovated his insurance agency complex in keeping with the historical look of downtown and won the Good Neighbors award for business design. The Pioneer Group is in the process of renovating their newspaper office directly beside the Schuberg Agency and will be moving their employees and operation into the downtown in this \$750,000 improvement.

The City encourages local businesses through various tax incentives and low interest loan programs. Gaining loans to assist in their renovations during the year were the Earth Wind and Fire Hair Salon and the Quinn's Music Store. These efforts continue to complement the Downtown and keep the area vibrant and thriving. The City was accepted into the State's Blueprint program for 2006 and will be having a site visit from the Consultants in October with observations and recommendations for improvements to be made by the end of the year.

2005 was a year for major City construction. After receiving a grant for a water line under the Muskegon River, the City installed a second 12" feeder line from Ives Street down Oak, crossing the River, following M-20 and eventually tying into an existing main on Bronson. This project was completed in a matter of 4 months at a cost of \$1,200,000. This line addresses low fire flow in the River Street Elementary School area as well as a similar problem off Bronson. The second line under the Muskegon also guarantees that in the catastrophic event of failure of a river crossing the East side of town will not be without water.

The expansion of the Crossroads Charter Academy provided the incentive for another construction project by City forces on Spruce Street. The Charter Academy added a gymnasium and classrooms as they continue to enjoy student enrollment growth headed to a planned population of 900 students. The water line and street improvement provided fire protection for the school and tied into a neighborhood system which had the side benefit of assisting all the residential area as well.

Complete street reconstruction for the year took contractors to Finley and Sherman streets. In both cases the water, sewer and storm utilities were replaced. With proper underground facilities in order, the street surface was rebuilt with good base, sidewalk, curb and asphalt pavement. Regular street resurfacing for the year also included Spruce, Bronson and Oak (with the waterline project), and Ives past the University.

The final portions of Riverwalk were completed in 2005, on the West side of the Muskegon from the Junior High School to Hanchett's Manufacturing. This section completed the community effort and leaves additional projects for the future guidance of the City and other public initiatives.

This was the 150th year of the founding of Big Rapids. The community celebrated in year long fashion by 'adding' an historical element to each 'usual' gathering. The year started with a kickoff celebration at the Holiday Inn sponsored by the Pioneer Press. It ended with the dedication of a new Band Shell in Hemlock Park. The year proved rewarding, fun, and certainly growing in community spirit and friendship. The ultimate success of this year cannot be simply measured in numbers in an audit report, which in this year will likely be less glowing than in the past, yet the year made more human and infrastructural advance than most years' ever enjoy.

CASH AND INVESTMENT MANAGEMENT

Each fund within the City has its cash that is needed for daily operations, invested in the City depository and investment pool or in separate depository and investment accounts. Cash temporarily idle during the year may be invested in bank certificates of deposit, commercial paper, bank money market accounts, as well as U.S. Government securities as permitted by the State of Michigan statutes and the City's Cash and Investment Policy. Balances in the Act 345 pension fund can be invested in additional types of securities including equities due as allowed by State of Michigan statutes.

RISK MANAGEMENT

The City manages its risk exposures through a combination of self-insurance programs, risk management pools, and commercial insurance and excess coverage policies.

For coverages concerning property, general liability, automobile liability, motor vehicle physical damage, and property damage, the City participates in the Michigan Municipal Liability and Property Pool. Unemployment claims are reimbursed to the Michigan Employment Security Commission. The City is self-insured for employee health and dental insurance. Excess insurance coverage purchased by the City covers individual claims and an aggregate claim amount which are set annually.

PENSION BENEFITS

The City provides employees in the various bargaining and nonbargaining units' pension benefits through either defined benefit or defined contribution pension plans. Benefits and employee and employer contributions vary depending on employee elections, position and bargaining unit. A deferred compensation plan is also available to the various employee groups.

MAJOR INITIATIVES

The City of Big Rapids commission has begun several initiatives to enhance the quality of life and maximize the effectiveness of government in the City. The Following is a listing and description of the major projects and goals:

1. Residential Property Maintenance

With the Good Neighbors Association the City has placed a new emphasis on housing upkeep. Polycart use for garbage pickup will be emphasized in the coming year. In addition, the City will be meeting with Ferris and other community partners to look at rezoning, historical districts, padlock ordinance and other ideas which may help to reclaim the good quality of neighborhoods.

2. Pave Alleys and Streets

The regular paving program is looked to for additional expansion capability.

3. Ice Mountain

The City negotiated a contract to treat Ice Mountain's process waste for this year and into the future. This trucked water from Stanwood has saved the industry untold funds and increased the coffers of the City by an estimated \$200,000 per year. These funds will assist greatly in renovating the WWTP and other capital needs of the wastewater system and community.

4. Robin Hood Airport

The Federally favored project for next year is the replacement of the runway landing lighting system. This \$350,000 project will assist in the safety of the airplanes and continue the positive advance of the significance of this Community amenity.

5. WWTP

The plans continue to progress to renovate the treatment facility. The 2005-06 project is the replacement of the UV disinfection system. The city will review the addition of a septage hauling station and the continued upgrade of the facility looking forward to a \$5,000,000 facility upgrade within the next 3 years.

6. Planning

Sign ordinances, and parking regulations were reviewed in 2005. Next year should see much activity in zoning and in the writing and adoption of a Park Masterplan.

7. Library.

The Lutheran Church built a new structure on Fuller Avenue in 2005 and has offered the old facility for sale. Some have suggested it could make a fine library with proper adjustments. The City expects to examine this alternative along with similar consideration for the renovation potential of the existing facility.

8. Voting

The presidential election and resultant voting practice in Florida, has had nationwide repercussion. In Michigan this has led to statewide reform and call for uniform voter machinery.

In 2006, Big Rapids will be converting to new voting machines and reducing its number of precincts to streamline its voting operations. In addition the state has regularized 'standard' voting days and given the City/County the responsibility of voting administration for all elections – including those conducted by the schools.

9. MOTA

The local public transit system MOCAT has struggled in recent years to meet diminishing funding of its operation. The City system DART has long been subsidized by the City and therefore operates relatively effectively on an 'on demand' basis. In 2005, the two groups joined together to form MOTA and to place a .5 mil levy on the ballot to continue public transportation within the County. If the levy passes, DART will be absorbed into the larger County-wide system. If the levy fails, DART will likely be asked to pick some additional responsibilities within the County. In either case, much will change in this area in 2006.

DEPARTMENTAL FOCUS

CITY ADMINISTRATION – *NEIGHBORHOOD SERVICES*

The staff of the Neighborhood Services Department includes Mark Gifford, Neighborhood Services Director and Downtown Business Association Director, Cindy Plautz, Neighborhood Services Coordinator, Jim Peek, Zoning Administrator/ Code Enforcement Officer, and Harry Johnson, Part-time Code Enforcement Officer.

Responsibilities of the Neighborhood Services Department include planning, zoning, rental housing inspection and administration, grant writing and administration, code enforcement, economic development, administration of the Downtown Business Association and coordination of special events as well as other duties.

The Neighborhood Services Department plays a significant role in making Big Rapids the wonderful place to live that it is. The department works hand in hand with community residents and business owners to insure the health and vitality of the City, foster positive change and resolve conflicts.

PLANNING AND ZONING

The Neighborhood Services Department is responsible for the administration and enforcement of the City's Zoning Ordinance. The Zoning Ordinance organizes land use types into three broad groups: Residential, Commercial and Industrial. The Zoning Ordinance sets forth regulations in each district such as building setbacks, maximum lot coverage, parking requirements and signage.

The Neighborhood Services Department is the staff for the Plan Board and Zoning Board of Appeals as well as the City Commission on planning and zoning issues. These boards review and make decisions on any development that happens in the City and they deal with the

administration and interpretation of the Big Rapids Zoning Ordinance. The Plan Board also creates and implements the City's Master Plan. The Master Plan is the guide for land use decisions through out the City.

RENTAL HOUSING CERTIFICATION PROGRAM

The Neighborhood Services Department is responsible for administration of the Rental Housing Certification Program. By ordinance, all properties occupied by other than the owner are considered rentals and must be inspected on an annual basis to determine compliance with the Rental Housing Codes. Currently, there are 609 registered rental properties in the City of Big Rapids. These properties are comprised of 1,573 units. The properties are grouped into one of four groups over the course of a year for administration and inspection purposes. Inspections are performed by the Big Rapids Public Safety Fire Division and the Department of Neighborhood Services.



Standing, left to right: James Peek, Zoning Administrator, Mark Gifford, Neighborhood Services Director.

Sitting, left to right: Harry Johnson, Code Enforcement Officer, Cindy Plautz, Neighborhood Services Coordinator.

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the City of Big Rapids for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the 19th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.


ACKNOWLEDGMENT

It is very appropriate that appreciation be expressed for the efficient and dedicated services of the City's Department of Finance. The maintenance of the daily financial reports, all investments and the preparation of this comprehensive report were the supervisory responsibilities of City Treasurer, Lorraine James. She has been ably assisted by other finance/management area personnel, which include Jean Schneidt, Carla Staffen, Heidi Horan, Melissa Hauger, Paul Cole, Barbara Obert, Kelly Boos, Harry Brennan, Joyceann Francis, and Paula Weipert. Cheryl Colley contributed all photos. Big Rapids Printing, Big Rapids, Michigan was responsible for the reproduction of the artwork, covers and inserts. Mark Gifford, Neighborhood Services Director, authored the Departmental Focus.

Excellent working relationships were established and maintained between the auditors and the municipal staff in the preparation of this annual financial report.

Respectfully submitted,


Steven Sobers
City Manager



Lorraine James
City Treasurer

**STATEMENT OF MANAGEMENT'S
RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Responsibility for the integrity of the financial data presented rests with the City. We believe the data to be accurate in all material aspects. These financial statements are prepared in accordance with Generally Accepted Accounting Principles applicable to city government and State Statutes.

Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Rehmann Robson, independent certified public accountants, has audited the accompanying financial statements, and the supplemental financial information has been subjected to the auditing procedures applied in their audit. Rehmann Robson's report is included in the financial section of this report.



Steven Sobers
City Manager



Lorraine James
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Big Rapids,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

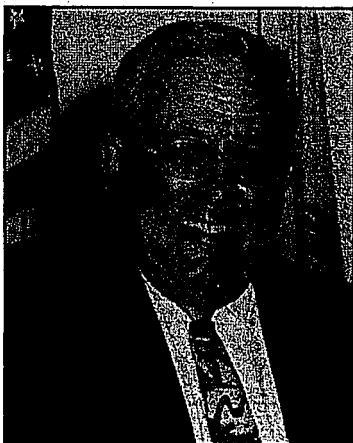
The summer of 2005 was a good season for many construction projects. These projects were completed by City employees and private contractors. Inspection was by City staff employees working many hours to insure the work met construction standards. The projects included Riverwalk Phase II, water line on Spruce (Charter School area) and Osburn Circle, curb and gutter and bituminous surfacing of various streets (Oak, Finley, and Sherman), extending water line across the Muskegon River from Oak to 3rd Ave and improvements at the Wastewater facility. It has been a productive year; our Public Safety Department utilized a horse mounted officer in order to conserve gasoline that exceeded \$3.00 a gallon for the first time!

This year has been exciting and rewarding for our City and Mecosta County. A spirit of cooperation between all units of government showed that our communities can work together and have a good time. We will remember with pride the Veterans parade, 4th of July celebration, Riverwalk mural, Band Shell project, 150th birthday party, and the Pioneer Press special sections headed by Jim Bruskotter. If that was not enough we will remember "Summer Big Rapids" by Robert Garrels and the many books and articles by Jim Wood and the DVD produced through the work of Jeanette Fleury. Also worth mentioning was the 150th pins, banners and brochures committee chaired by Lynne Scheible. Special thanks have to be given to Luanne Rothstein for accepting the task and leading us as the chairperson for this 150th celebration.



Edward Burch
Mayor

This report for the prior year has been assembled by staff for your review of our city. After reading it, please let the Commission know your thoughts on continued community growth and prosperity.



Dan Rothstein
Mayor Pro Tem

This has been a most exciting year in Big Rapids. Our sesquicentennial celebration has been and continues to be an outstanding and multifaceted event. Several important infrastructure projects will soon be completed. Our continued work with Ferris State University and our surrounding townships will enhance our quality of life for generations.

The motto of the 150th Celebration Committee "Celebrate the past and preserve the present for the future" is fitting for the City Commission as well. The projects we complete today will help our community in the future. It is good to be part of making our city a better place to live for all.

CITY OF BIG RAPIDS, MICHIGAN

CITY OFFICIALS

June 30, 2005

City Commission _____ Edward Burch, Mayor

_____ Dan Rothstein, Mayor Pro Tem

_____ Peggy Brennan

_____ Tom Hogenson

_____ Carleen Rose

City Manager (Interim) _____ Roberta R. Cline

City Attorney _____ Eric D. Williams

City Clerk _____ Roberta R. Cline

City Treasurer/Assessor _____ Lorraine James

Engineer/Utilities Director _____ Donald Greiner

Income Tax Administrator _____ Paul B. Cole

Information Technology Manager _____ Timothy Moslener

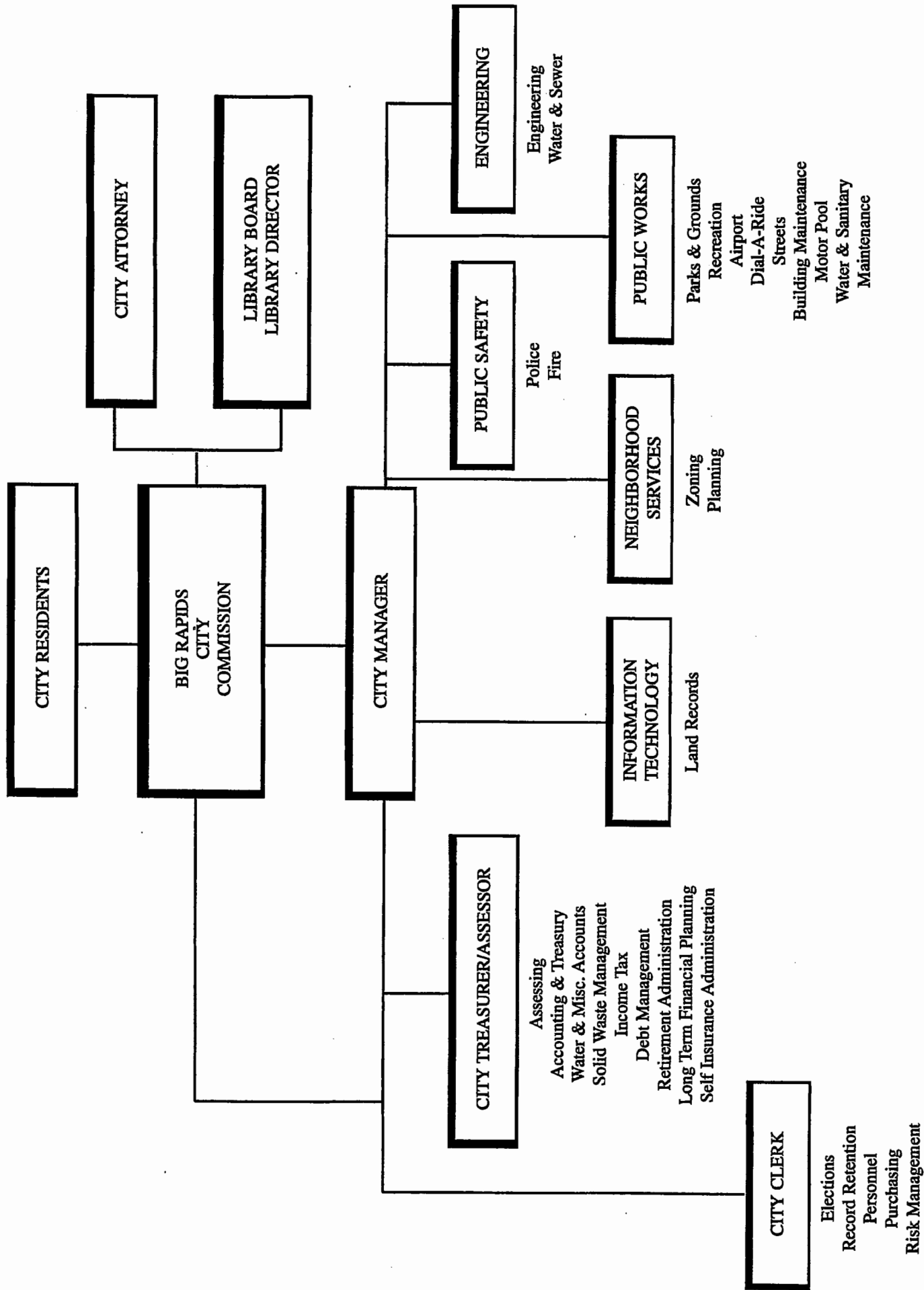
Library Director _____ Gaylynn Rorabaugh

Neighborhood Services Director _____ Mark Gifford

Transportation Supervisor _____ Deb Wilkinson

Public Safety Director _____ Kevin Courtney

Public Works Director _____ Timothy J. Vogel





REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 17, 2005

Honorable Mayor and City Commissioners
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Big Rapids, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2005, on our consideration of the City of Big Rapids internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 22-32 and the pension information on pages 67-68 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Rapids' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of Big Rapids' basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Lohorn

Management's Discussion and Analysis

As management of the City of Big Rapids, we offer readers of the City of Big Rapids financial statements this narrative overview and analysis of the financial activities of the City of Big Rapids for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Phase II of the Riverwalk project was under construction.
- Capital grants of \$273,900 were received for water system improvement projects of approximately \$780,000.
- Approximately \$200,000 was expended to return rental property to single family housing.

The fund balance of the City of Big Rapids' general fund decreased by \$1,050,786 during the current fiscal year. Key factors in this decrease are as follows:

- An unanticipated income tax refund of \$700,000 was negotiated.
- \$200,000 was transferred to the local streets funds for projects.
- Decreased expenditures for all functions approximated \$400,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Big Rapids financial statements. The City of Big Rapids basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Big Rapids finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Big Rapids assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Big Rapids that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Big Rapids include legislative, public safety, public works, health, welfare, culture, recreation, and general administrative services. The business-type activities of the City of Big Rapids include wastewater, water, transportation, and sanitation services.

The government-wide financial statements include not only the City of Big Rapids itself (known as the *primary government*), but also legally separate – (*component units*) – for which the City of Big Rapids is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Big Rapids, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Big Rapids can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Big Rapids maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Big Rapids adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 36-40 of this report.

Proprietary funds. The City of Big Rapids maintains 7 different proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Big Rapids uses enterprise funds to account for its wastewater, water, transportation and sanitation activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Big Rapids various functions. The City of Big Rapids uses internal service funds to account for its motor pool, DPW services and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater, water, transportation and sanitation activities, all of which are considered to be major funds of the City of Big Rapids.

The proprietary fund financial statements can be found on pages 41-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Big Rapids own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and required Act 345 pension information. Required supplementary information regarding the Act 345 pension information can be found on pages 67 and 68 of this report.

The combining statements referred to earlier in connection with governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 69-106 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Big Rapids, assets exceeded liabilities by \$25,664,397 at the close of the most recent fiscal year.

By far the largest portion of the City of Big Rapids net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Big Rapids uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Big Rapids' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Big Rapids Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,788,939	\$ 5,387,279	\$ 3,505,131	\$ 2,863,430	\$ 9,294,070	\$ 8,250,709
Capital assets	12,177,388	11,705,749	15,602,880	15,311,375	27,780,268	27,017,124
Total assets	17,966,327	1,709,3028	19,108,011	18,174,805	37,074,338	35,267,833
Long-term liabilities outstanding	4,604,142	4,454,821	4,381,899	4,376,372	8,986,041	8,831,193
Other liabilities	1,617,791	969,189	806,139	637,952	2,423,930	1,607,141
Total liabilities	6,221,933	5,424,010	5,188,038	5,014,324	11,409,971	10,438,334
Net assets:						
Invested in capital assets, net						
of related debt	7,927,388	7,125,772	11,220,981	10,660,003	19,148,369	17,785,775
Restricted	1,689,020	1,634,314	134,274	104,507	1,823,294	1,738,821
Unrestricted	2,127,986	2,908,932	2,564,748	2,395,971	4,692,734	5,304,903
Total net assets	\$11,744,394	\$11,669,018	\$13,920,003	\$13,160,481	\$25,664,397	\$24,829,499

Net assets of governmental funds at year-end have been restricted primarily by funding sources for major and local street repair, maintenance, and construction. Of the net asset balance at year end, 68% is invested in capital assets net of related debt, 6% is restricted for major streets, 7% is restricted for local streets, 1% is restricted for other purposes, and 18% is unrestricted and available for general City operations.

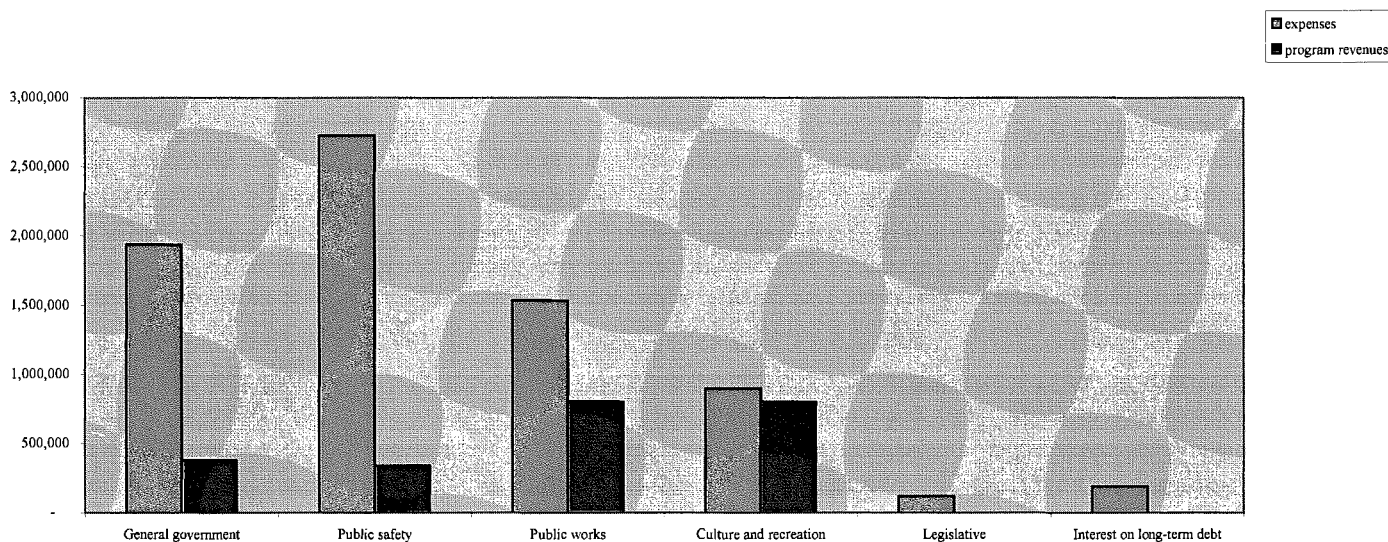
City of Big Rapids Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenue:						
Charges for services	\$ 838,202	\$ 834,624	\$ 4,290,167	\$ 4,179,691	\$ 5,128,369	\$ 5,014,315
Operating grants and contributions	952,425	1,031,421	186,007	160,888	1,138,432	1,192,309
Capital grants and contributions	532,611	340,778	273,900	-	806,511	340,778
General revenue:						
Property taxes	2,283,012	2,203,021	-	-	2,283,012	2,203,021
Income taxes	942,810	1,814,042	-	-	942,810	1,814,042
State shared revenue	1,473,040	1,483,074	-	-	1,473,040	1,483,074
Other	206,110	27,227	89,268	(1,877)	295,378	25,350
Total revenue	7,228,210	7,734,187	4,839,342	4,338,702	12,067,552	12,072,889
Expenses:						
Legislative	119,650	77,192	-	-	119,650	77,192
General government	1,939,310	1,662,823	-	-	1,939,310	1,662,823
Public safety	2,727,509	2,604,570	-	-	2,727,509	2,604,570
Public works	1,534,230	1,595,742	-	-	1,534,230	1,595,742
Culture and recreation	894,197	900,196	-	-	894,197	900,196
Interest on long-term debt	190,740	281,474	-	-	190,740	281,474
Wastewater Utility	-	-	1,308,753	1,272,185	1,308,753	1,272,185
Water Utility	-	-	1,515,852	1,639,504	1,515,852	1,639,504
Transportation	-	-	405,017	347,035	405,017	347,035
Sanitation	-	-	597,396	745,658	597,396	745,658
Total expenses	7,405,636	7,121,997	3,827,018	4,004,382	11,232,654	11,126,379
Increase (decrease) in net assets before transfers	(177,426)	612,190	1,012,324	334,320	834,898	946,510
Transfers	252,802	285,400	(252,802)	(285,400)	-	-
Increase (decrease) in net assets	75,376	897,590	759,522	48,920	834,898	946,510
Net assets - beginning of year	11,669,018	10,771,428	13,160,481	13,111,561	24,829,499	23,882,989
Net assets - end of year	\$11,744,394	\$11,669,018	\$13,920,003	\$13,160,481	\$25,664,397	\$24,829,499

Governmental activities. Governmental activities increased the City's net assets by \$75,376, accounting for 9% percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

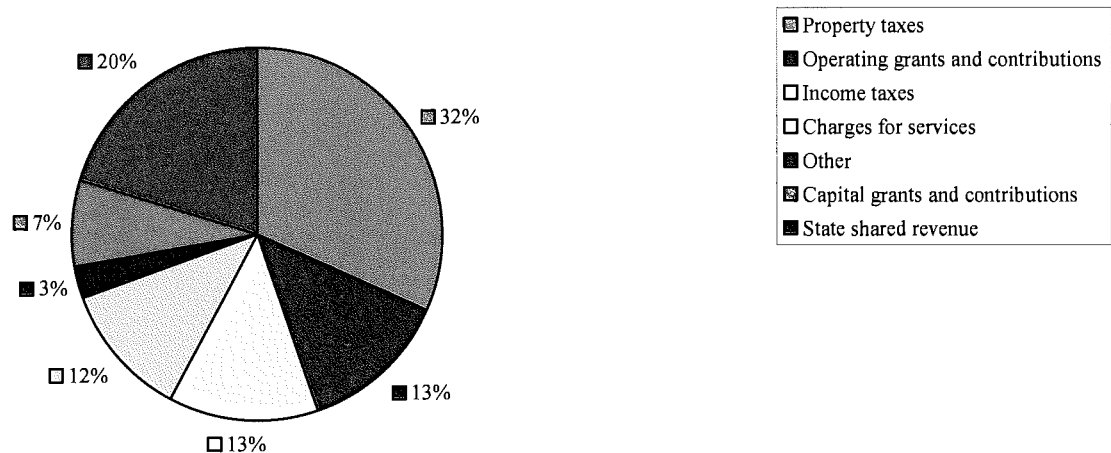
- Decreased expenditures for the total of all functions of government.
- Negotiated income tax refund of \$700,000.
- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

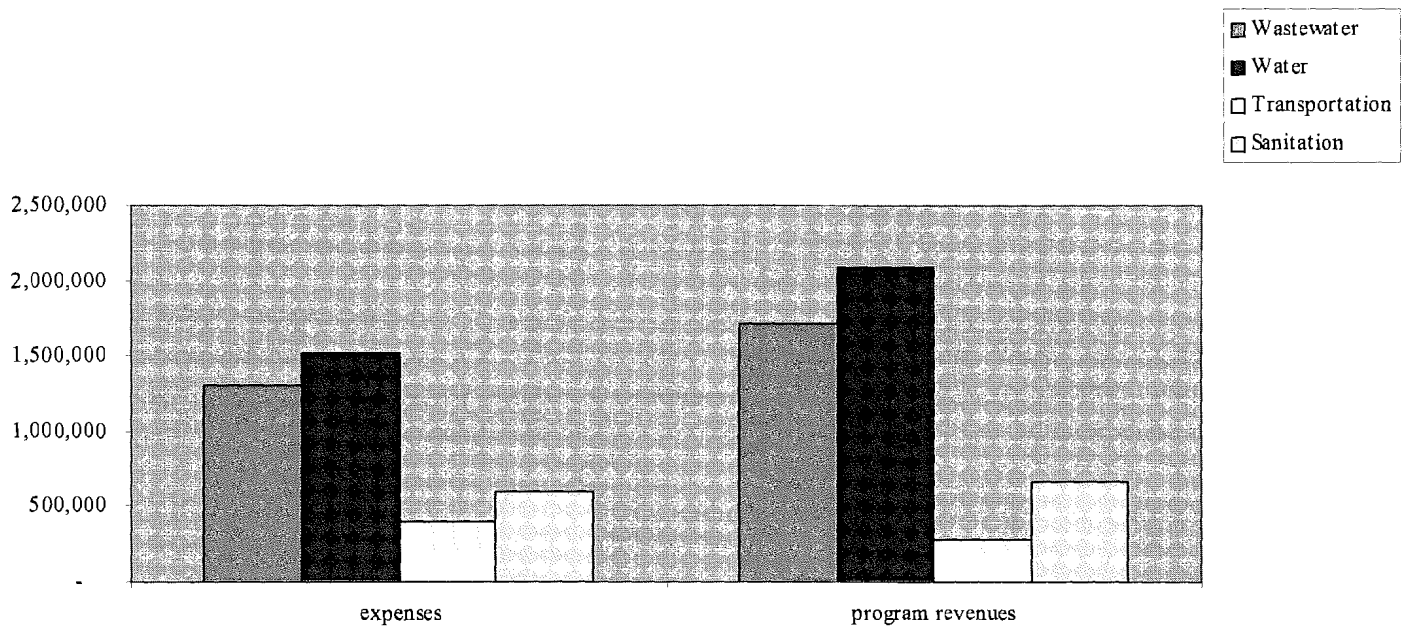
Revenues by Source - Governmental Activities



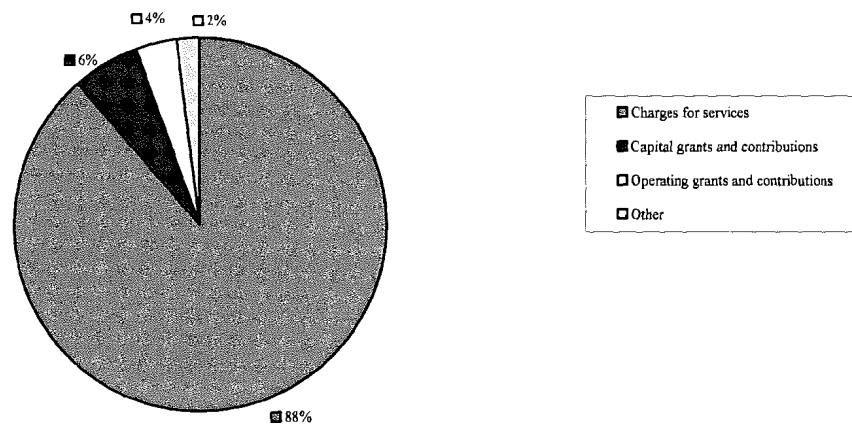
Business-type activities. Business-type activities increased the City's net assets by \$759,522, accounting for 91% percent of the total change in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$48,920. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 2.6%, or \$110,476, compared to the prior year. This is a result of sales levels and rate changes for the various enterprise activities.
 - Expenses decreased 4.4%, or \$177,364, primarily because of decreased sanitation fund expenses and cost containment efforts.
 - A capital grant of \$274,000 was received in the water fund.
-

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Big Rapids uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Big Rapids' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Big Rapids' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Big Rapids' governmental funds reported combined ending fund balance of \$3,191,691, a decrease of \$947,494 compared with prior year. Approximately 74 percent or \$700,000 of this decrease was the result of the negotiated income tax refund. [The general fund's contribution to the decrease was \$1,050,786].

The general fund is the chief operating fund of the City of Big Rapids. At the end of the current fiscal year, unreserved fund balance of the general fund was \$653,049 while total fund balance was \$879,473.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10 percent of total general fund expenditures, while total fund balance represents 14 percent of that same amount.

The fund balance of the City of Big Rapids' general fund decreased by \$1,050,786 during the current fiscal year. Key factors in this decrease are as follows:

- An income tax refund of \$700,000 was negotiated.
- Transfers of \$200,000 were made for local street projects.

Proprietary funds. The City of Big Rapids' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the wastewater, water, transportation and sanitation funds at the end of the year amounted to \$781,613, \$(571,779), \$47,805 and \$28,208, respectively. The total changes in net assets for these funds was \$356,351, \$461,247, \$(85,865) and \$27,789, respectively. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Big Rapids' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Approximately \$200,000 of additional grants were anticipated.
- Approximately \$40,000 was added to the City Commission budget for the City's 150th anniversary celebration.
- \$70,000 was added to the Neighborhood Services department budget for business loans.
- Approximately \$110,000 was added to the Public Safety function budgets for various additional expenditures.
- Approximately \$150,000 was added to the Sidewalk, Alleys and Storm Water category for various infrastructure projects.

Capital Asset and Debt Administration

Capital assets. The City of Big Rapids' investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$27,780,268 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Big Rapids' investment in capital assets for the current fiscal year was 2.9 percent (a 4.0 percent increase for governmental activities and a 1.9 percent increase for business-type activities). 2003 was the first year in which infrastructure assets were recorded.

Major capital asset events during the current fiscal year included the following:

- Water system improvements, phase two of the Riverwalk project and road infrastructure additions.

City of Big Rapids Capital Assets (net of depreciation)

	Governmental activities	Business- type activities	Total
Land	\$ 4,486,322	\$ 311,895	\$ 4,798,217
Buildings	4,340,919	1,927,402	6,268,321
Equipment	1,376,737	13,363,583	14,740,320
Infrastructure	1,973,410	-	1,973,410
Total	\$12,177,388	\$15,602,880	\$27,780,268

Additional information on the City of Big Rapids capital assets can be found in Note 6 on pages 58 and 59 of this report.

Long-term debt.

City of Big Rapids Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$4,250,000	\$4,560,000	\$ -	\$ -	\$4,250,000	\$4,560,000
Capital Lease	-	19,977	-	-	-	19,977
Revenue bonds	-	-	4,445,000	4,720,000	4,445,000	4,720,000
Other debt	354,142	375,145	-	-	354,142	375,145
Total	\$4,604,142	\$4,955,122	\$4,445,000	\$4,720,000	\$9,049,142	\$9,675,122

During the year the City issued no new debt and paid \$585,000 of principal on bonds outstanding at July 1, 2004.

The City of Big Rapids most recent general obligation bond issue had a rating of Aaa from Moody's and was FGIC insured.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current remaining debt limitation for the City of Big Rapids is \$12,851,040.

Additional information on the City of Big Rapids long-term debt can be found in Note 7 on pages 59 and 60 of this report.

Economic Factors and Next Year's Budgets and Rates

- Overall revenue growth is expected to be flat due to economic conditions.
- Expenditure increases primarily driven by inflation associated with contractual wage and benefit agreements.

Requests for Information

This financial report is designed to provide a general overview of the City of Big Rapids finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lorraine James, Treasurer, City of Big Rapids, 226 N. Michigan Ave., Big Rapids, MI 49307.

CITY OF BIG RAPIDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNIT DDA
Assets				
Cash and temporary investments	\$ 4,674,406	\$ 2,320,961	\$ 6,995,367	\$ 120,347
Receivables				
Accounts	165,562	428,113	593,675	-
Special assessments	32,024	-	32,024	-
Other governments	619,914	280,510	900,424	-
Mortgages	41,779	-	41,779	-
Advance to agency funds	40,000	-	40,000	-
Inventory	63,039	132,489	195,528	-
Restricted assets				
Cash and temporary investments	-	343,058	343,058	-
Noncurrent assets				
Property held for sale	152,215	-	152,215	-
Capital assets				
Land	4,486,322	311,895	4,798,217	-
Capital assets, net of accumulated depreciation	7,691,066	15,290,985	22,982,051	-
Total assets	17,966,327	19,108,011	37,074,338	120,347
Liabilities				
Accounts payable	165,203	563,387	728,590	2,282
Accrued liabilities	394,744	189,044	583,788	-
Due to other governments	-	53,678	53,678	-
Income tax refund payable	700,000	-	700,000	-
Unearned revenue	357,844	-	357,844	-
Total current liabilities	1,617,791	806,109	2,423,900	2,282
Noncurrent liabilities:				
Due within one year	280,434	285,000	565,434	-
Due in more than one year	4,323,708	4,096,899	8,420,607	-
Total liabilities	6,221,933	5,188,008	11,409,941	2,282
Net Assets				
Invested in capital assets, net of related debt	7,927,388	11,220,981	19,148,369	-
Restricted for:				
Major Streets	757,902	-	757,902	-
Local Streets	814,686	-	814,686	-
Jennings projects	4,203	-	4,203	-
Miller & Ahlgren projects	4,871	-	4,871	-
Riverwalk projects	53,079	-	53,079	-
Debt service	-	134,274	134,274	-
Playscape permanent trust - nonexpendable	17,000	-	17,000	-
Playscape permanent trust - expendable	570	-	570	-
Contributions	36,709	-	36,709	-
Unrestricted	2,127,986	2,564,748	4,692,734	118,065
Total net assets	\$ 11,744,394	\$ 13,920,003	\$ 25,664,397	\$ 118,065

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions / Programs</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Primary government					
Governmental activities:					
Legislative	\$ 119,650	\$ -	\$ -	\$ -	\$ (119,650)
General government	1,939,310	298,642	80,667	-	(1,560,001)
Public safety	2,727,509	184,904	154,752	-	(2,387,853)
Public works	1,534,230	99,584	699,783	4,114	(730,749)
Culture and recreation	894,197	255,072	17,223	528,497	(93,405)
Interest on debt	190,740	-	-	-	(190,740)
Total governmental activities	<u>7,405,636</u>	<u>838,202</u>	<u>952,425</u>	<u>532,611</u>	<u>(5,082,398)</u>
Business-type activities:					
Wastewater utility	1,308,753	1,712,057	-	-	403,304
Water utility	1,515,852	1,817,214	-	273,900	575,262
Transportation fund	405,017	91,211	186,007	-	(127,799)
Sanitation fund	597,396	669,685	-	-	72,289
Total business-type activities	<u>3,827,018</u>	<u>4,290,167</u>	<u>186,007</u>	<u>273,900</u>	<u>923,056</u>
Total primary government	<u>\$ 11,232,654</u>	<u>\$ 5,128,369</u>	<u>\$ 1,138,432</u>	<u>\$ 806,511</u>	<u>\$ (4,159,342)</u>
Component unit					
Downtown Development Authority	<u>\$ 37,584</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 32,416</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2005

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		DDA
Changes in net assets				
Net (expense) revenue	\$ (5,082,398)	\$ 923,056	\$ (4,159,342)	\$ 32,416
General revenues:				
Property taxes	2,203,881	-	2,203,881	19,517
Property tax - debt service	79,131	-	79,131	-
Income taxes	942,810	-	942,810	-
State shared revenue - unrestricted	1,473,040	-	1,473,040	-
Investment earnings	206,110	89,268	295,378	4,421
Transfers - internal activities	252,802	(252,802)	-	-
Total general revenues and transfers	5,157,774	(163,534)	4,994,240	23,938
Change in net assets	75,376	759,522	834,898	56,354
Net assets, beginning of year	11,669,018	13,160,481	24,829,499	61,711
Net assets, end of year	\$ 11,744,394	\$ 13,920,003	\$ 25,664,397	\$ 118,065

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

ASSETS	OTHER GOVERNMENTAL		
	GENERAL	FUNDS	TOTAL
ASSETS			
Cash and temporary investments	\$ 1,116,404	\$ 2,478,425	\$ 3,594,829
Receivables:			
Accounts	162,761	1,043	163,804
Special assessments	7,924	24,100	32,024
Mortgages	41,779	-	41,779
Due from other governmental units	352,913	267,001	619,914
Advances to other funds	40,000	-	40,000
Inventory	-	1,575	1,575
Property held for sale	152,215	-	152,215
TOTAL ASSETS	\$ 1,873,996	\$ 2,772,144	\$ 4,646,140
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 30,679	\$ 130,029	\$ 160,708
Accrued liabilities	176,926	26,947	203,873
Income tax refund payable	700,000	-	700,000
Deferred revenue	86,918	302,950	389,868
TOTAL LIABILITIES	994,523	459,926	1,454,449
FUND BALANCES			
Fund balances:			
Reserved for:			
Capital projects	-	338,253	338,253
Advances	40,000	-	40,000
Contributions	34,209	-	34,209
Property held for sale	152,215	-	152,215
Restricted contributions	-	64,653	64,653
Permanent fund for playscape	-	17,570	17,570
Unreserved:			
Undesignated	653,049	-	653,049
Undesignated-special revenue funds	-	1,891,742	1,891,742
TOTAL FUND BALANCES	879,473	2,312,218	3,191,691
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,873,996	\$ 2,772,144	\$ 4,646,140

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2005

Fund balances - total governmental funds	\$ 3,191,691
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets (net)	11,382,642
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Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service funds	1,819,653
---	-----------

Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - deferred revenue on special assessments receivable	32,025
--	--------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(249,142)
Deduct - bonds and fee payable	(4,355,000)
Deduct - accrued interest on bonds payable	<u>(77,475)</u>

Net assets of governmental activities	<u>\$ 11,744,394</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Taxes	\$ 3,263,820	\$ 79,131	\$ 3,342,951
Special assessments	14,907	-	14,907
Licenses and permits	21,658	-	21,658
Intergovernmental revenue:			
Federal	81,824	-	81,824
State	1,651,748	741,574	2,393,322
Charges for services	198,108	69,580	267,688
Fines and forfeits	139,813	121,438	261,251
Investment earnings	91,651	97,134	188,785
Rents and royalties	4,420	-	4,420
Other	68,600	576,638	645,238
TOTAL REVENUES	5,536,549	1,685,495	7,222,044
EXPENDITURES			
Current:			
Legislative	119,650	-	119,650
General government	1,943,525	-	1,943,525
Public safety	2,709,594	-	2,709,594
Public works	875,501	770,007	1,645,508
Recreation and cultural	283,908	1,132,148	1,416,056
Debt service:			
Principal retirement	129,977	200,000	329,977
Interest and fiscal charges	190,980	6,850	197,830
TOTAL EXPENDITURES	6,253,135	2,109,005	8,362,140
REVENUES UNDER EXPENDITURES	(716,586)	(423,510)	(1,140,096)
OTHER FINANCING SOURCES (USES)			
Transfers in	404,100	781,702	1,185,802
Transfers out	(774,300)	(254,900)	(1,029,200)
Sale of capital assets	36,000	-	36,000
TOTAL OTHER FINANCING SOURCES (USES)	(334,200)	526,802	192,602
NET CHANGES IN FUND BALANCES	(1,050,786)	103,292	(947,494)
FUND BALANCES, BEGINNING OF YEAR	1,930,259	2,208,926	4,139,185
FUND BALANCES, END OF YEAR	\$ 879,473	\$ 2,312,218	\$ 3,191,691

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (947,494)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	884,249
Deduct - depreciation expense	(306,896)
Deduct - capital assets contributed to internal service funds	(160,520)
Deduct - net book value of capital asset disposals	(61,284)

Special assessments receivable are long-term in nature and are collectable over several
years. However the current receipts are reflected as revenues on the fund statements.

Deduct - change in special assessments deferred at year end	(11,159)
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Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	344,977
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Internal service funds are used by management to charge the costs of certain
equipment usage to individual governmental funds. The net revenue (expense)
attributable to those funds is reported with governmental activities.

Add - income from governmental activities in internal service funds	320,411
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	6,003
Add - change in accrued interest	7,089

Change in net assets of governmental activities	<u>\$ 75,376</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 4,026,700	\$ 4,026,700	\$ 3,263,820	\$ (762,880)
Special assessments	25,000	25,000	14,907	(10,093)
Licenses and permits	34,500	34,500	21,658	(12,842)
Intergovernmental revenue:				
Federal	35,000	146,500	81,824	(64,676)
State	1,865,000	1,975,000	1,651,748	(323,252)
Charges for services	174,300	174,800	198,108	23,308
Fines and forfeits	126,900	127,900	139,813	11,913
Interest	51,600	51,600	91,651	40,051
Rents and royalties	3,900	3,900	4,420	520
Other	59,400	59,900	68,600	8,700
TOTAL REVENUES	6,402,300	6,625,800	5,536,549	(1,089,251)
EXPENDITURES				
Current:				
Legislative	82,000	120,800	119,650	1,150
General government	2,042,500	2,223,100	1,943,525	279,575
Public safety	2,666,600	2,813,500	2,709,594	103,906
Public works	1,017,900	1,250,000	875,501	374,499
Recreation and cultural	342,700	350,200	283,908	66,292
Debt service:				
Principal retirement	130,000	130,000	129,977	23
Interest and fiscal charges	192,300	192,300	190,980	1,320
TOTAL EXPENDITURES	6,474,000	7,079,900	6,253,135	826,765
REVENUES OVER (UNDER) EXPENDITURES	(71,700)	(454,100)	(716,586)	(262,486)
OTHER FINANCING SOURCES (USES)				
Transfers in	404,100	404,100	404,100	-
Transfers (out)	(683,800)	(774,300)	(774,300)	-
Proceeds from sale of capital assets	-	36,000	36,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(279,700)	(334,200)	(334,200)	-
NET CHANGES IN FUND BALANCE	(351,400)	(788,300)	(1,050,786)	(262,486)
FUND BALANCES, BEGINNING OF YEAR	1,930,259	1,930,259	1,930,259	-
FUND BALANCES, END OF YEAR	\$ 1,578,859	\$ 1,141,959	\$ 879,473	\$ (262,486)

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

<u>ASSETS</u>	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
CURRENT ASSETS						
Cash and temporary investments	\$ 1,839,596	\$ 368,353	\$ 107,002	\$ 6,010	\$ 2,320,961	\$ 1,079,577
Accounts receivable	162,581	196,978	403	68,151	428,113	1,758
Due from other governmental units	-	273,900	6,610	-	280,510	-
Inventory	-	127,738	4,751	-	132,489	61,464
Restricted Assets						
Cash and temporary investments	-	343,058	-	-	343,058	-
TOTAL CURRENT ASSETS	2,002,177	1,310,027	118,766	74,161	3,505,131	1,142,799
CAPITAL ASSETS						
Land	31,288	280,607	-	-	311,895	-
Buildings	1,437,211	2,661,268	-	-	4,098,479	691,614
Machinery, equipment, other	10,173,083	12,263,534	682,445	-	23,119,062	2,023,168
	11,641,582	15,205,409	682,445	-	27,529,436	2,714,782
Less accumulated depreciation	5,650,678	5,864,483	411,395	-	11,926,556	1,920,036
TOTAL CAPITAL ASSETS	5,990,904	9,340,926	271,050	-	15,602,880	794,746
TOTAL ASSETS	7,993,081	10,650,953	389,816	74,161	19,108,011	1,937,545
<u>LIABILITIES</u>						
CURRENT LIABILITIES						
Accounts payable	29,797	487,637	-	45,953	563,387	4,495
Accrued liabilities	55,424	72,553	17,283	-	145,260	113,397
Due to other governmental units	-	-	53,678	-	53,678	-
Current portion of bonds payable	120,000	-	-	-	120,000	-
Payable from restricted assets						
Accrued liabilities	-	43,784	-	-	43,784	-
Current portion of bonds payable	-	165,000	-	-	165,000	-
TOTAL CURRENT LIABILITIES	205,221	768,974	70,961	45,953	1,091,109	117,892
OTHER LIABILITIES						
Long term portion of bonds payable	1,036,400	3,060,499	-	-	4,096,899	-
TOTAL LIABILITIES	1,241,621	3,829,473	70,961	45,953	5,188,008	117,892
<u>NET ASSETS</u>						
Investment in capital assets, net of related debt	4,834,504	6,115,427	271,050	-	11,220,981	794,746
Restricted:						
Replacement of capital assets	1,135,343	-	-	-	1,135,343	-
Revenue bond retirement	-	134,274	-	-	134,274	-
Unrestricted	781,613	571,779	47,805	28,208	1,429,405	1,024,907
TOTAL NET ASSETS	\$ 6,751,460	\$ 6,821,480	\$ 318,855	\$ 28,208	\$ 13,920,003	\$ 1,819,653

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES						
Charges for services	\$ 1,708,745	\$ 1,734,726	\$ 84,655	\$ 669,685	\$ 4,197,811	\$ 2,152,738
Other	3,312	82,488	-	-	85,800	36,464
TOTAL OPERATING REVENUES	1,712,057	1,817,214	84,655	669,685	4,283,611	2,189,202
OPERATING EXPENSES						
Wages and salaries	407,978	379,084	211,367	16,996	1,015,425	631,802
Employee benefits	110,662	121,625	27,795	-	260,082	275,049
Supplies	108,781	85,885	20,999	3,905	219,570	11,019
Gas and oil	-	-	22,893	-	22,893	63,252
Heat, power and lights	144,604	116,920	-	-	261,524	21,026
Repairs and maintenance	12,925	132,987	-	-	145,912	86,612
Rent	32,781	69,925	-	23,515	126,221	8,112
Contracted services	90,011	61,234	19,724	552,980	723,949	49,769
Professional fees	2,682	3,995	3,000	-	9,677	2,783
Depreciation	293,044	334,489	84,758	-	712,291	179,491
Insurance	26,365	23,487	10,689	-	60,541	813,517
Miscellaneous	16,366	10,424	3,792	-	30,582	404
TOTAL OPERATING EXPENSES	1,246,199	1,340,055	405,017	597,396	3,588,667	2,142,836
OPERATING INCOME (LOSS)	465,858	477,159	(320,362)	72,289	694,944	46,366
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	49,234	36,700	3,334	-	89,268	17,325
Interest and fiscal charges	(57,441)	(180,910)	-	-	(238,351)	-
Intergovernmental revenue:						
Federal	-	273,900	39,864	-	313,764	-
State	-	-	146,143	-	146,143	-
Other non-operating revenues	-	-	6,556	-	6,556	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(8,207)	129,690	195,897	-	317,380	17,325
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	457,651	606,849	(124,465)	72,289	1,012,324	63,691
Capital contributions	-	-	-	-	-	160,520
Transfers in	-	-	67,300	-	67,300	150,000
Transfers (out)	(101,300)	(145,602)	(28,700)	(44,500)	(320,102)	(53,800)
CHANGE IN NET ASSETS	356,351	461,247	(85,865)	27,789	759,522	320,411
NET ASSETS, BEGINNING OF YEAR	6,395,109	6,360,233	404,720	419	13,160,481	1,499,242
NET ASSETS, END OF YEAR	\$ 6,751,460	\$ 6,821,480	\$ 318,855	\$ 28,208	\$ 13,920,003	\$ 1,819,653

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -	\$ -	2,188,257
Receipts from customers and users	1,690,618	1,779,939	91,058	691,388	4,253,003	-
Payments to suppliers	(512,025)	(55,297)	(81,899)	(592,831)	(1,242,052)	(1,035,233)
Payments to employees	(453,598)	(496,384)	(232,297)	(16,996)	(1,199,275)	(894,919)
Net cash provided by (used in) operating activities	724,995	1,228,258	(223,138)	81,561	1,811,676	258,105
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Intergovernmental revenue:						
Federal	-	-	42,123	-	42,123	-
State	-	-	146,143	-	146,143	-
Repayment of balance due from other funds	-	-	-	(31,051)	(31,051)	-
Transfers in	-	-	67,300	-	67,300	150,000
Transfers (out)	(101,300)	(145,602)	(28,700)	(44,500)	(320,102)	(53,800)
Net cash provided by (used in) non-capital financing activities	(101,300)	(145,602)	226,866	(75,551)	(95,587)	96,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(223,715)	(780,082)	-	-	(1,003,797)	(135,062)
Principal paid on bonds	(115,000)	(160,000)	-	-	(275,000)	-
Interest and fiscal charges paid	(55,741)	(177,083)	-	-	(232,824)	-
Net cash used in capital and related financing activities	(394,456)	(1,117,165)	-	-	(1,511,621)	(135,062)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned on investments	49,234	36,700	3,334	-	89,268	17,325
NET INCREASE IN CASH AND TEMPORARY INVESTMENTS	278,473	2,191	7,062	6,010	293,736	236,568
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	1,561,123	709,220	99,940	-	2,370,283	843,009
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 1,839,596	\$ 711,411	\$ 107,002	\$ 6,010	\$ 2,664,019	\$ 1,079,577
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 465,858	\$ 477,159	\$ (320,362)	\$ 72,289	\$ 694,944	\$ 46,366
Adjustments to reconcile net income (loss) to net cash provided by (used in) by operating activities:						
Depreciation	293,044	334,489	84,758	-	712,291	179,491
Changes in operating assets and liabilities which provided (used) cash:						
Accounts receivable	(21,439)	(37,275)	(6,709)	21,703	(43,720)	(945)
Inventory	-	760	-	-	760	870
Accounts payable	(19,085)	448,800	(802)	(12,431)	416,482	18,591
Accrued liabilities	6,617	4,325	6,865	-	17,807	13,732
Net cash provided by (used in) operating activities	\$ 724,995	\$ 1,228,258	\$ (236,250)	\$ 81,561	\$ 1,798,564	\$ 258,105
Cash and temporary investments are classified on the balance sheet as follows:						
Current assets:						
Cash and temporary investments	\$ 1,839,596	\$ 368,353	\$ 107,002	\$ 6,010	\$ 2,320,961	\$ 1,079,577
Restricted assets:						
Cash and temporary investments	-	343,058	-	-	343,058	-
	\$ 1,839,596	\$ 711,411	\$ 107,002	\$ 6,010	\$ 2,664,019	\$ 1,079,577

During 2005 capital assets of \$160,520 were transferred from governmental activities to the motor pool internal service fund.

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

<u>ASSETS</u>	PENSION TRUST FUNDS	AGENCY FUNDS
Cash and temporary investments	\$ 277,563	\$ 95,555
Investments		
Bonds and bond mutual fund	935,737	-
Stock and stock mutual fund	2,666,402	-
Other mutual funds	1,079,524	-
Accounts receivable	-	122,615
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	4,959,226	\$ 218,170
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>		
 LIABILITIES		
Accounts payable	24,451	\$ 42,130
Due to other governmental units	-	136,040
Advances from other funds	-	40,000
	<hr/>	<hr/>
TOTAL LIABILITIES	24,451	\$ 218,170
	<hr/>	<hr/>
 NET ASSETS		
Reserved for employees' pension benefits	\$ 4,934,775	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

PENSION TRUST FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>PENSION TRUST</u>
ADDITIONS	
Employer contributions	\$ 297,408
Employee contributions	<u>103,492</u>
Total contributions	<u>400,900</u>
Net investment earnings	<u>340,872</u>
TOTAL ADDITIONS	<u>741,772</u>
DEDUCTIONS	
Benefits	498,698
Refunds of contributions	234,930
Administrative expenses	<u>17,924</u>
TOTAL DEDUCTIONS	<u>751,552</u>
CHANGE IN NET ASSETS	(9,780)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>4,944,555</u>
END OF YEAR	<u><u>\$ 4,934,775</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Big Rapids (the "City") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component unit, an entity for which the City is considered to be financially accountable.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the City's component unit. This component unit provides services to the businesses located within the Downtown Development Authority District. This unit is reported in a separate column to emphasize that it is legally separate from the City.

Downtown Development Authority "DDA" - The Authority is comprised of individuals from the management of the City. The Board is appointed by the City Commission. The City Commission approves the Authority's budget and has the ability to significantly influence operations of the Downtown Development Authority. Financial statements are not separately issued for the Downtown Development Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (primary government) and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. After March 1 of each year, the County pays the City and is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences payments are recorded only when payment is due.

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The City considers these to be available if received within 180 days of year-end to allow time to collect. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

The City reports the following major proprietary funds:

Wastewater Treatment Fund – This enterprise fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on bonds which were used to finance improvements to the system.

Water Fund - The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are also used to pay principal and interest on bonds (other than the 1985 bond issue which is being repaid from a special tax levy for that purpose) which were used to finance improvements to the system.

Transportation Fund - This fund is used to account for the operation of the public transportation system. This fund received both Federal and State operating assistance. Intergovernmental assistance is calculated on varying percentages of the operating expenses. Federal and State sources also supply the buses which are used in the system.

Sanitation Fund - This fund is used to account for the activity of refuse collection and disposal services provided to City residents on a fee for service basis.

Additionally, the City reports the following fund types:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – used to account for financial resources including bond proceeds used for the acquisition, renovation and construction of the City Hall and public safety building.

Permanent Fund - used to account for the activities of a permanent trust which provides income on the corpus of the fund for support of City activities.

Internal Service Funds - used to account for the financing of motor pool, D.P.W. and self-insurance services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City is the primary participant in internal service fund activities.

Trust and Agency Funds - used to account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governments. These include the pension trust funds and agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment amortization and insurance coverage. Operating expenses for the enterprise funds and internal service funds include wages, supplies, contracted services and depreciation on capital assets. Operating expenses for the internal service funds also include the cost of services (including claims). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are unavailable for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Process and Basis

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- ◆ The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a GAAP basis.
- ◆ Public hearings are conducted to obtain taxpayer comments.
- ◆ Prior to July 1, the budget is legally enacted through a Resolution passed by the City Commission.
- ◆ Budgetary integration is employed for the governmental fund types as a management control device.
- ◆ The budget and approved appropriations lapse at the end of the fiscal year.
- ◆ The budgets of the General, Special Revenue, Debt Service and Permanent Trust Funds are adopted on a Departmental/Activity account basis. Expenditures may not legally exceed the budgeted amounts by fund.
- ◆ Any revisions that alter the total expenditures of fund require approval by the Commission. However, the City Manager is authorized to transfer budgeted amounts between a Department/Activity subject to the condition that the total expenditures, actual and projected, do not exceed the approved appropriations by Fund, and that such transfers be reported to the Commission at the time of the monthly budget report.
- ◆ Comparisons to budget are presented as required by generally accepted accounting principles for all Governmental funds for which budgets were legally adopted.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Cash and Temporary Investments

For purposes of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Investments

Investments are stated at fair value. Fair value for securities traded on a national exchange are valued at the last reported sales price. The net investment income reported includes the change in fair value of the investments. Earnings from investments are appropriately allocated to the investing fund based on the investment equity.

State statute authorizes the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's investment policy allows for all of these types of investments.

Restricted Assets

Certain water bond agreements require assets to be set aside for principal and interest repayment and other purposes. These assets are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are considered to be immaterial at year-end.

Due to/from Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, to construct assets and to service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Advances

Noncurrent portions of long-term interfund loans receivable in governmental funds are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market for proprietary and governmental funds. Inventory in governmental funds is accounted for using the consumption method (expensed when consumed).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Equipment	5-50
Public domain infrastructure	40

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Special assessment (General Fund)	\$ 7,925
Fire contracts (General Fund)	78,993
Special assessments (Local Streets)	24,100
State road improvement grant (Major Streets)	<u>278,850</u>
	<u>\$389,868</u>

Net Assets/Fund Balance

Reserved fund balance/restricted net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Property Taxes

Taxes are levied on July 1 and December 1. The City bills and collects its own property taxes, which become a lien on July 1, as well as the taxes for the county, school districts and other districts. Collections of taxes, together with remittances for the same, are accounted for in the Current Tax Agency Fund to March 1. At March 1, after the winter roll is levied, the county pays the City for all outstanding real property taxes and attaches an enforceable lien on the property. Consequently, there is no outstanding receivable for unpaid real property taxes at year end.

Income Taxes

The City's income tax revenue is recorded using the modified accrual basis of accounting, with refunds paid being treated as a reduction of income tax revenue.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

Compensated absences in total are recorded in the government-wide statements for employees of the Governmental Funds. Compensated absences are not expected to be liquidated with expendable available financial resources. Consequently, no portion of the liability is reported on the balance sheets of the Governmental Funds. Compensated absences are accounted for as a liability in the Proprietary Funds.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Pension Plans

The City contributes to four pension plans. The City accounts for its Act 345 Pension Plan reported in the Pension Trust Fund under Government Accounting Standards Board (GASB) Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 25 concerning Financial Reporting for Defined Benefit Pension Plans. The other Plans, an agent multiple-employer defined benefit and two defined contribution plans, also follow GASB defined requirements.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended 2005, no expenditures were incurred in excess of the amounts appropriated.

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fiduciary fund statement related to deposits and investments, are as follows:

	Govern- mental Activities	Business- Type Activities	DDA	Fiduciary Funds		Total
				Pension Trust	Agency Funds	
Cash and temporary investments	\$4,674,406	\$2,320,961	\$120,347	\$ 277,563	\$95,555	\$ 7,488,832
Investments	-	-	-	4,681,663	-	4,681,663
Restricted assets - cash and temporary investments	-	343,058	-	-	-	343,058
	<u>\$4,674,406</u>	<u>\$2,664,019</u>	<u>\$120,347</u>	<u>\$4,959,226</u>	<u>\$95,555</u>	<u>\$12,513,553</u>

The cash and investments above are disclosed in the notes as follows:

Deposits	\$ 3,221,965
Investments	<u>9,291,588</u>
	<u>\$12,513,553</u>

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Deposits and Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments.

Investment	Maturity	Fair Value	Rating
Government Securities			
US Treasury Notes	8/15/2005	\$ 249,025	AAA
Government National Mortgage Association (GNMA)*	2006 through 2034	2,712,329	AAA
Federal Home Loan National Mortgage Corporation (FHLMC)*	2008 through 2024	468,680	AAA
Federal Home Loan Bank (FHLB)*	12/19/2008	49,075	Aaa
Federal National Mortgage Association (FNMA)*	2009-2023	153,448	AAA
Corporate Stocks			
AVL Global Inc.	n/a	650	n/a
AXM Pharma	n/a	1,420	n/a
Charter Communications Inc.	n/a	3,540	n/a
Chemical Financial	n/a	6,622	n/a
Comcast Corporation	n/a	8,985	n/a
Conexant Systems	n/a	3,059	n/a
El Paso Corporation	n/a	8,640	n/a
General Electric Company	n/a	8,662	n/a
Harley Davidson	n/a	7,440	n/a
JDS Uniphase Corporation	n/a	3,040	n/a
Lucent Technology	n/a	5,820	n/a
Microsoft	n/a	9,936	n/a
Nortel Networks	n/a	6,525	n/a
Time Warner Inc.	n/a	5,849	n/a
Tyco International	n/a	5,840	n/a
Ultimate Franchise Systems	n/a	100	n/a
Veritas Software Corporation	n/a	4,880	n/a

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate Preferred Stocks			
Bank of America	n/a	\$ 14,856	A
Coastal Financial	n/a	37,455	CCC
General Motors Corporation	n/a	37,848	BBB
General Motors Corporation	n/a	21,500	BBB-
Corts Capital	n/a	10,650	BBB;
Royal Bank of Scotland	n/a	25,370	A
Equity - Mutual Funds			
American Mutual Fund – (American Funds)	n/a	701,904	n/a
Europacific Growth – (American Funds)	n/a	409,419	n/a
Growth Fund of America - (American Funds)	n/a	102,930	n/a
Investment Company of America – (American Funds)	n/a	1,023,246	n/a
Smallcap World Funds – (American Funds)	n/a	337,551	n/a
Repurchase Agreements, Notes & Bonds			
Flagstar Bank	3/19/2007	95,797	n/a
Republic Bank	2/13/2006	96,497	n/a
Ford Motor Credit	9/20/2005	15,006	BB+
General Motors Accept Corp	10/15/2005	24,947	BB
Michigan Consolidated Gas	11/1/2023	1,010	A2
Corporate Bond - Mutual Funds			
Various	n/a	362,497	Unrated
Government Security - Mutual Funds			
Various funds	n/a	1,004,779	AAA
Bond - Mutual Funds			
Oppenheimer Champion	n/a	622,882	BB-
Oppenheimer Limited Term	n/a	414,940	A
Total		<u>\$9,291,588</u>	

* Principal and interest are expected to be paid periodically until the various maturity dates associated with these investments.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each applicable investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in note 1 of the summary of significant accounting policies. In addition, state law allows the City to investment pension plan assets in both corporate stocks and bonds. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each applicable investment is identified above for investments held at year-end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end \$2,676,215 of the City's bank balance of \$3,276,215 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$9,291,588 in investments the City has a custodial credit risk exposure of \$4,311,440 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Mutual funds are not subject to custodial credit because there are specifically identifiable securities associated with the City's portion of each fund.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investment concentrations have been reported above.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4. ADVANCES TO/FROM OTHER FUNDS

The following amounts are interfund advances of a long-term nature between funds:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$40,000	\$ -
Fiduciary Funds:		
Payroll Agency Fund	-	40,000
	<u>\$40,000</u>	<u>\$40,000</u>

Advances reflect a long-term loan from the general fund to the payroll fund for cash flow purposes.

This long-term loan is not expected to be repaid in fiscal year 2006.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2005 are as follows:

	<u>Transfers In</u>				
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Transportation Fund</u>	<u>Internal Service Fund</u>	<u>Total Transfers Out</u>
<u>Transfers out</u>					
General Fund	\$ -	\$666,500	\$67,300	\$ 40,500	\$ 774,300
Nonmajor Governmental Funds	97,900	98,500	-	58,500	254,900
Wastewater Treatment Fund	78,800	-	-	22,500	101,300
Water Fund	107,900	16,702	-	21,000	145,602
Transportation Fund	28,700	-	-	-	28,700
Sanitation Fund	40,000	-	-	4,500	44,500
Internal Service Funds	50,800	-	-	3,000	53,800
Total transfers in	<u>\$404,100</u>	<u>\$781,702</u>	<u>\$67,300</u>	<u>\$150,000</u>	<u>\$1,403,102</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (2) allocate overhead costs to funds which are provided by the general fund.

For the 2005 fiscal year, the general fund made transfers to subsidize the operations of various funds. Remaining transfers represent payments to the general fund to provide for administrative services and facilities.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,547,606	\$ -	\$(61,284)	\$ 4,486,322
Total capital assets, not being depreciated	<u>4,547,606</u>	<u>-</u>	<u>(61,284)</u>	<u>4,486,322</u>
Capital assets, being depreciated:				
Buildings	9,387,459	7,208	-	9,394,667
Equipment	4,152,162	208,903	(85,330)	4,275,735
Infrastructure	1,226,475	803,199	-	2,029,674
Total capital assets being depreciated	<u>14,766,096</u>	<u>1,019,310</u>	<u>(85,330)</u>	<u>15,700,076</u>
Less accumulated depreciation for:				
Buildings	4,884,497	169,251	-	5,053,748
Equipment	2,694,709	289,619	(85,330)	2,898,998
Infrastructure	28,747	27,517	-	56,264
Total accumulated depreciation	<u>7,607,953</u>	<u>486,387</u>	<u>(85,330)</u>	<u>8,009,010</u>
Total capital assets, being depreciated, net	<u>7,158,143</u>	<u>532,923</u>	<u>-</u>	<u>7,691,066</u>
Governmental activities capital assets, net	<u>\$11,705,749</u>	<u>\$532,923</u>	<u>\$(61,284)</u>	<u>\$12,177,388</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 311,895	\$ -	\$ -	\$ 311,895
Total capital assets, not being depreciated	<u>311,895</u>	<u>-</u>	<u>-</u>	<u>311,895</u>
Capital assets, being depreciated:				
Buildings	4,091,996	6,483	-	4,098,479
Equipment	22,136,087	997,313	(14,338)	23,119,062
Total capital assets, being depreciated	<u>26,228,083</u>	<u>1,003,796</u>	<u>(14,338)</u>	<u>27,217,541</u>
Less accumulated depreciation for:				
Buildings	2,071,552	99,525	-	2,171,077
Equipment	9,157,051	612,766	(14,338)	9,755,479
Total accumulated depreciation	<u>11,228,603</u>	<u>712,291</u>	<u>(14,338)</u>	<u>11,926,556</u>
Total capital assets, being depreciated, net	<u>14,999,480</u>	<u>291,505</u>	<u>-</u>	<u>15,290,985</u>
Business-type activities capital assets, net	<u>\$15,311,375</u>	<u>\$291,505</u>	<u>\$ -</u>	<u>\$15,602,880</u>

During 2005 capital assets of \$160,520 were transferred from the governmental activities to the motor pool internal service fund.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 68,046
Public safety	97,916
Public works	33,464
Culture and recreation	107,470
Capital assets held by the internal service funds	<u>179,491</u>

Total depreciation expense – governmental activities	<u>\$486,387</u>
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Business-type activities:

Wastewater	\$293,044
Water	334,489
Transportation	<u>84,758</u>

Total depreciation expense – business-type activities	<u>\$712,291</u>
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7. LONG-TERM DEBT

Bonds

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. Details of the various issues and obligations are as follows:

	July 1, 2004	Additions	Deletions	June 30, 2005	Due Within One Year
Business-type activities:					
Water Supply System Revenue Bonds, 1999 issue of \$2,820,000 are due in annual installments of \$85,000 to \$225,000 through 2019; interest at 4.3 to 5.4%. (This issue is being serviced, principal and interest, by the Water Enterprise Fund).	\$2,455,000	\$ -	\$(100,000)	\$2,355,000	\$105,000
Wastewater Treatment System Revenue Bonds, 1993 issue of \$2,000,000 are due in annual installments of \$75,000 to \$175,000 through 2012; interest at 5%. (This issue is being serviced, principal and interest, by the Wastewater Treatment Enterprise Fund).	1,285,000	-	(115,000)	1,170,000	120,000
Water Supply System Revenue Bonds, 1995 issue of \$1,360,000 are due in annual installments of \$40,000 to \$110,000 through 2015; interest at 4.5 to 5.25%. (This issue is being serviced, principal and interest, by the Water Enterprise Fund).	<u>980,000</u>	<u>-</u>	<u>(60,000)</u>	<u>920,000</u>	<u>60,000</u>
Total before unamortized issuance costs and discounts	4,720,000	-	(275,000)	4,445,000	285,000
Unamortized issuance costs and discounts	<u>(68,628)</u>	<u>-</u>	<u>5,527</u>	<u>(63,101)</u>	<u>-</u>
Total	<u>\$4,651,372</u>	<u>\$ -</u>	<u>\$(269,473)</u>	<u>\$4,381,899</u>	<u>\$285,000</u>

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

	July 1, 2004	Additions	Deletions	June 30, 2005	Due Within One Year
Governmental activities:					
Water Supply System General Obligation Refunding bonds, 1992 issue of \$2,365,000 are due in annual installments of \$75,000 to \$220,000 through 2004; interest at 3.4 to 6.35%. (This issue is being serviced, principal and interest, by the Debt Service Fund).	\$ 200,000	\$ -	\$(200,000)	\$ -	\$ -
Cumulative Cemetery Fee Payable to Big Rapids Charter Township, payable in annual installments of \$15,000 (adjusted annually by the CPI index) with no interest, through November 1, 2011 (See Note 12). (This contribution is serviced by the General Fund - City Commission Department).	120,000	-	(15,000)	105,000	15,000
Fire Truck Loan, 1998 issue of \$212,961, due in semi-annual installments of \$15,000 to \$20,000 through 2004; interest at 4.40%	19,977	-	(19,977)	-	-
2001 Unlimited Tax General Obligation Bonds, 2001 issue of \$4,500,000 are due in annual installments of \$45,000 to \$465,000 through 2021; interest at 4.375%. (This issue is being serviced, principle and interest, by the General Fund.)	4,360,000	-	(110,000)	4,250,000	120,000
Vested Benefits - as discussed in Note 1, the City has recorded accumulated employee compensated absences for employees.	255,145	149,321	(155,324)	249,142	145,434
Total other long-term debt	\$4,955,122	\$149,321	\$(500,301)	\$4,604,142	\$280,434

The water supply system general obligation refunding bonds have been serviced from the debt service fund while remaining debt has been serviced from the general fund.

For the governmental activities, vested benefits are generally liquidated by the general fund.

The annual debt service requirements to maturity for outstanding long-term debt, exclusive of vested benefits, are as follows:

Year Ended June 30,	General Obligation Debt		Enterprise Fund Debt		Total Requirements
	Principal	Interest	Principal	Interest	
2006	\$ 135,000	\$ 185,938	\$ 285,000	\$ 222,188	\$ 828,126
2007	150,000	180,688	300,000	207,311	837,999
2008	160,000	174,782	320,000	191,286	846,068
2009	180,000	168,438	340,000	173,987	862,425
2010	195,000	161,218	355,000	155,640	866,858
2011-2015	1,235,000	670,468	1,725,000	506,000	4,136,468
2016-2020	1,835,000	355,686	1,120,000	145,492	3,456,178
2021-2025	465,000	20,344	-	-	485,344
Total	\$4,355,000	\$1,917,562	\$4,445,000	\$1,601,904	\$12,319,466

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

8. FUND BALANCES RESERVES

NONMAJOR GOVERNMENTAL FUNDS

Restricted for Major Streets Capital Projects	\$238,638
Restricted Contributions (Library)	2,500
Restricted Contributions (Jennings)	4,203
Restricted Contributions (Miller & Ahlgren)	4,871
Restricted Contributions (Riverwalk)	53,079
Capital Projects – City Hall Projects	50,178
Capital Projects – Library Improvements	49,437
Restricted Contribution (Playscape Corpus)	17,000
Restricted Contributions (Playscape)	570
	<u>\$420,476</u>

9. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS

Plan Descriptions

The City of Big Rapids participates in the following defined benefit and defined contribution pension plans:

<u>Plan Name</u>	<u>Plan Type</u>
Michigan Municipal Employees Retirement System (MERS)	Agent Multiple-Employer Public Employee Retirement System (PERS)
Policemen and Firemen's Retirement System (Michigan Public Act 345 of 1937, as amended)	Self-administered Single-Employer Public Employee Retirement System (PERS) reported in the Pension Trust Fund

All City employees are eligible to participate in these Plans; however, the City Manager has chosen not to participate. The City's participants in the MERS Plan are categorized into two divisions: General, which includes supervisors, office and clerical workers, Dial-A-Ride, and Housing Commission employees; and Local 1865, which includes the DPW, Motor Pool and Water-Sewer-Sanitation Plant System employees. The City's participants in the Act 345 Plan include the police and fire department bargaining unit employees and supervisory personnel.

Municipal Employees Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death, and disability benefits covering certain City employees. The City also participates in a defined contribution plan administered by the MERS. The Systems are administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the defined benefit plan participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

For the defined benefit plan the City is required to contribute at an actuarially determined rate; the current year amount was \$268,262. Participating employees are required to contribute either .75% or 2.70% of their annual covered payroll based on compensation agreements. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2005, the City's annual pension cost of \$268,262 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$148,227	100%	\$ -
2004	187,389	100%	-
2005	268,262	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/02	\$6,059,038	\$7,280,022	\$1,220,984	83%	\$1,842,805	66%
12/31/03	6,428,409	8,246,156	1,817,747	78%	1,822,436	100%
12/31/04	6,821,569	9,593,158	2,771,589	71%	1,939,093	143%

The defined contribution provisions of the MERS plan requires the City to contribute 8% or 9% of annual covered payroll based on compensation agreements. Employees contribute 4% or 5% depending on compensation agreements. Participants direct their investments under the defined contribution provision and the City does not have a fiduciary responsibility for the defined contribution plan. Therefore, the assets held under this provision of this plan are not reflected in these financial statements.

The City contributed \$48,502 to the MERS defined contribution plan in accordance with requirements established, and which can be modified by the City Commission. Employees contributed \$23,766 to the plan.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Act 345 Plan

The City has a single-employer defined benefit and defined contribution retirement plan which provides pension, death and disability benefits to policemen and firemen. Act 345 assigns the authority to establish and amend benefit provisions and contribution requirements to the City, subject to the terms of collective bargaining agreements. Plan members are required to contribute 6% of their annual covered salary depending on the applicable collective bargaining agreement and/or unit assignment. The City is required to contribute at an actuarially determined rate; the current amount of \$160,172 was contributed to the defined benefit plan. Effective July 1, 1998, the City amended this plan to require all new hires from that date forward to be excluded from the defined benefit plan provision and be eligible for participation in the defined contribution provision of the plan. At that time, participants in the defined benefit provision of the plan were allowed the option to convert their balances to the defined contribution option.

The defined contribution provision of the plan requires the City to contribute from 5.5% to 12.5% of annual covered payroll based on compensation agreements and employee contribution levels.

Participants direct their investments under the defined contribution provision and the City does not have a fiduciary responsibility for the defined contribution plan. Therefore, the assets held under this provision in this plan are not reflected in these financial statements.

The City contributed \$144,556 and employees contributed \$93,270 to the defined contribution plan.

Membership of the Act 345 defined benefit plan consisted of the following at the date of the latest actuarial valuation (June 30, 2004 for the Act 345 Plan):

	<u>ACT 345</u>
Retirees and beneficiaries receiving benefits	21
Terminated plan members entitled to but not yet receiving benefits	2
Active plan members	<u>4</u>
Total	<u>27</u>
Number of participating employers	<u>1</u>

This plan is closed to new participants.

The City's annual pension cost and net retirement benefits obligation for the current year were as follows:

Annual required contribution / pension cost	\$160,172
Contributions made	<u>160,172</u>
Net pension obligation, end of year	<u>\$ -</u>

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

The annual required contribution for the current year was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on investments of 7.0% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0% to 3% per year, depending on age and service, attributable to seniority/merit; and (d) the assumptions that pension benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four year period using a level percent of payroll. The latest actuarial valuation was performed as of June 30, 2005. The unfunded actuarial liability is amortized as level percent-of-payroll on an open basis over a 10 year period.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Retirement Benefit Cost (ARBC)</u>	<u>Percentage of ARBC Contributed</u>	<u>Net Retirement Benefit Obligation</u>
6/30/03	\$106,981	100%	\$ -
6/30/04	167,862	100%	-
6/30/05	160,712	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section in this report.

A stand-alone financial report of the Act 345 defined benefit Plan has not been issued.

10. ECONOMIC DEPENDENCY

Ferris State University is a major customer of the City's Wastewater, Water, and Sanitation services. During the year ended June 30, 2005, revenue attributable to charges for these services was recognized in the City's Wastewater, Water and Sanitation funds in the amount of \$625,636, \$670,605 and \$177,369, respectively.

11. SELF-INSURANCE PLAN

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City is covered for liability and property insurance through the Michigan Municipal Liability and Property Pool. The City's contributions to the Pool are combined with other member contributions to provide each member with coverage for liability and property claims. Funds not needed to pay claims or maintain reserves are either distributed to the members or credited toward future contributions. The amount of settlements has not exceeded insurance coverage for the commercial insurance or of the Pool for any of the past three years.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Effective July 1, 1995, the City is self-funded for medical, dental, optical and disability insurance. The claims liability of \$33,199 reported at June 30, 2005 is based on the requirements of Statement No. 10 of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the self-insurance internal service fund. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$40,000 per family. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year. The changes in the claims liability for the years ended June 30, 2005, 2004 and 2003 were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2003	\$40,347	\$905,450	\$906,900	\$38,897
2004	38,897	716,724	740,258	15,363
2005	15,363	818,634	800,798	33,199

12. DETACHMENT SETTLEMENT

As a result of an election on May 14, 1991, a total of 1,124 acres of City property was detached from the City and transferred to the adjoining Big Rapids Township. Various real property owned by the City of Big Rapids (airport, community swimming pool and cemetery) are located in the detached area. Ownership of the cemetery transferred to the Township by operation of law at the date of detachment.

Negotiations between the City and the Township regarding other City property, apportionment of City assets and debt, and other issues resulted in a Mutual Settlement Agreement between the two units on October 20, 1992. As a result of the settlement, no apportionment of City assets and debt as of the date of detachment was made; the City retained ownership of the airport and swimming pool; and state shared revenues received by the City arising from the detached area from May 14, 1991 to June 30, 1992 were paid to the Township (total amount of \$43,499). State revenue sharing is allocated to the City and Township based on corrected population after that date.

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

The City also agreed via the Mutual Settlement Agreement to pay the Township an annual fee of \$15,000 beginning November 1, 1992 and continuing for twenty years (increased or decreased annually in proportion to the change in the Consumer Price Index (CPI) each year - or five percent, if lower). At the end of twenty years, the City will begin paying an annual fee equal to one-half of the annual cost of operating the cemetery at that time and then as adjusted for the CPI for the next twenty years with recomputation of the one-half of expenses at the end of each subsequent twenty-year period. The City's obligation shall continue to perpetuity or until the Township is permanently relieved of its obligation to operate and maintain the cemetery.

The \$20,427 fee paid in the current year is reported as an expenditure under the legislative function. The City's remaining obligation is reported in the statement of net assets in the governmental activities column, (total amount of \$105,000). No implicit interest was computed under the assumption that the annual change in the CPI will effectively equate to an interest rate that reflects inflation over the time period. No liability has been recorded for amounts payable after the initial twenty-year commitment.

13. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

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CITY OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

ACT 345 PLAN

SCHEDULE OF FUNDING PROGRESS (AMOUNTS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b)-(a) (c)
6/30/96	\$5.1	\$5.6	\$0.5	91.1%	\$0.9	55.6%
6/30/97	5.6	6.0	0.4	93.3	1.0	40.0
6/30/98 #	4.7	5.0	0.3	94.0	0.5	60.0
6/30/99	5.2	5.4	0.2	96.3	0.4	50.0
6/30/00	5.4	5.4	0.0	100.0	0.4	0.0
6/30/01	5.4	5.4	0.0	100.0	0.4	0.0
6/30/02	5.3	5.3	0.0	100.0	0.4	0.0
6/30/03	5.1	5.1	0.0	100.0	0.4	0.0
6/30/04	5.0	5.0	0.0	100.0	0.2	0.0

After changes in benefit provisions or revised actuarial assumptions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contributions	Percent Contributed
1996	\$184,178	\$200,000	108%
1997	200,000	200,000	100
1998	200,000	200,000	100
1999	113,072	113,072	100
2000	134,817	98,924	100
2001	84,529	84,529	100
2002	82,486	82,486	100
2003	102,454	102,454	100
2004	167,862	167,862	100
2005	160,172	160,172	100

CITY OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

ACT 345 PLAN

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Aggregate actuarial cost method
Amortization method	Level over future working lifetime
Remaining amortization period	10 years
Asset valuation method	4 year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.0% - 7.0%
Cost-of-living adjustments	N.A.
Assumed rate of membership growth	0%

* Includes inflation at	4.0%
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CITY OF BIG RAPIDS, MICHIGAN

GENERAL FUND

DESCRIPTION OF FUND

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general government activities of the City, which are financed by property tax levies, by distribution of State revenues, and by revenues from various municipal activities and services, are recorded in this fund. Costs for City administration are accounted for in this fund. The other operating funds make contributions to the General Fund for overhead or administrative costs which are allocated to each fund. These contributions are reported as Transfers in.

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
TAXES				
Property taxes	\$ 2,211,700	\$ 2,211,700	\$ 2,193,508	\$ (18,192)
Payments in lieu of taxes	8,000	8,000	9,371	1,371
Trailer taxes	1,000	1,000	1,002	2
City income taxes (net)	1,700,000	1,700,000	942,810	(757,190)
Interest and penalties	28,000	28,000	33,103	5,103
Collection fees	78,000	78,000	84,026	6,026
TOTAL TAXES	4,026,700	4,026,700	3,263,820	(762,880)
SPECIAL ASSESSMENTS	25,000	25,000	14,907	(10,093)
LICENSES AND PERMITS				
Business licenses	1,000	1,000	440	(560)
Housing rental licenses	33,000	33,000	20,985	(12,015)
Dog licenses	200	200	68	(132)
Other licenses	300	300	165	(135)
TOTAL LICENSES AND PERMITS	34,500	34,500	21,658	(12,842)
INTERGOVERNMENTAL REVENUE				
Federal grant - Police programs	35,000	96,600	58,367	(38,233)
State grant - Police	-	-	4,229	4,229
State grant - Fire	80,000	80,000	73,968	(6,032)
Federal grant - Public Works	-	49,900	23,457	(26,443)
State grant - Public Works	-	-	31,675	31,675
State shared revenue:				
Sales tax	1,500,000	1,500,000	1,464,134	(35,866)
Liquor licenses	9,500	9,500	8,906	(594)
Other income	275,500	385,500	68,836	(316,664)
TOTAL INTERGOVERNMENTAL REVENUE	1,900,000	2,121,500	1,733,572	(387,928)
CHARGES FOR SERVICES				
First responders	18,000	18,000	22,965	4,965
Planning and zoning fees	3,300	3,300	2,465	(835)
Township fire contracts	79,900	79,900	89,515	9,615
Police department	16,600	16,600	17,760	1,160
Franchise fees - TCI	30,000	30,000	33,518	3,518
Recreation program	25,000	25,500	29,494	3,994
Other	1,500	1,500	2,391	891
TOTAL CHARGES FOR SERVICES	174,300	174,800	198,108	23,308
FINES AND FORFEITS				
Ordinance fines	60,000	60,000	82,209	22,209
Court ordered reimbursement	3,500	3,500	8,453	4,953
Parking violations	50,000	50,000	41,165	(8,835)
Parking meter violations	800	800	(20)	(820)
Parking meter collections	10,000	10,000	3,715	(6,285)
Other	2,600	3,600	4,291	691
TOTAL FINES AND FORFEITS	126,900	127,900	139,813	11,913

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES (CONTINUED)				
INTEREST	\$ 51,600	\$ 51,600	\$ 91,651	\$ 40,051
RENTS AND ROYALTIES				
Parking lot rental	2,900	2,900	3,120	220
Rental of city property	1,000	1,000	1,300	300
TOTAL RENTS AND ROYALTIES	3,900	3,900	4,420	520
OTHER REVENUE				
Refunds	1,000	1,000	9,816	8,816
Contributions	4,000	4,000	30,019	26,019
Miscellaneous	54,400	54,900	28,765	(26,135)
TOTAL OTHER REVENUE	59,400	59,900	68,600	8,700
TOTAL REVENUES	6,402,300	6,625,800	5,536,549	(1,089,251)
EXPENDITURES				
CURRENT				
LEGISLATIVE				
City Commission	82,000	120,800	119,650	1,150
GENERAL GOVERNMENT				
Mayor's Office	4,700	4,700	4,616	84
City Manager	136,700	133,300	131,029	2,271
Elections	8,500	11,700	10,229	1,471
Assessor	145,300	144,300	130,005	14,295
City Attorney	137,200	176,200	171,682	4,518
City Clerk	300,800	300,300	295,640	4,660
City Treasurer	396,300	405,300	388,403	16,897
Income Tax	79,700	83,000	81,901	1,099
Information Management	333,400	368,100	359,890	8,210
Public Buildings	80,000	89,200	64,465	24,735
Neighborhood Services	415,300	503,400	303,158	200,242
Plan Board	4,600	3,600	2,507	1,093
TOTAL GENERAL GOVERNMENT	2,042,500	2,223,100	1,943,525	279,575
PUBLIC SAFETY				
Police	1,511,700	1,606,300	1,547,207	59,093
Fire	790,200	810,200	771,913	38,287
Public Safety	364,700	397,000	390,474	6,526
TOTAL PUBLIC SAFETY	2,666,600	2,813,500	2,709,594	103,906

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)				
PUBLIC WORKS				
Public Service	\$ 353,900	\$ 354,900	\$ 346,735	\$ 8,165
Sidewalks, Alleys and Storm Sewers	281,800	434,200	163,223	270,977
Parking	83,600	158,600	75,616	82,984
City Engineer	234,100	237,800	235,797	2,003
City Decorations	64,500	64,500	54,130	10,370
TOTAL PUBLIC WORKS	1,017,900	1,250,000	875,501	374,499
RECREATION AND CULTURAL				
Parks	291,600	299,100	246,820	52,280
Recreation Program	51,100	51,100	37,088	14,012
TOTAL RECREATION AND CULTURAL	342,700	350,200	283,908	66,292
DEBT SERVICE				
Principal	130,000	130,000	129,977	23
Interest	192,300	192,300	190,980	1,320
TOTAL DEBT SERVICE	322,300	322,300	320,957	1,343
TOTAL EXPENDITURES	6,474,000	7,079,900	6,253,135	826,765
REVENUES OVER (UNDER) EXPENDITURES	(71,700)	(454,100)	(716,586)	(262,486)
OTHER FINANCING SOURCES (USES)				
Transfers in	404,100	404,100	404,100	-
Transfers out	(683,800)	(774,300)	(774,300)	-
Sale of capital assets	-	36,000	36,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(279,700)	(334,200)	(334,200)	-
NET CHANGES IN FUND BALANCE	(351,400)	(788,300)	(1,050,786)	(262,486)
FUND BALANCE, BEGINNING OF YEAR	1,930,259	1,930,259	1,930,259	-
FUND BALANCE, END OF YEAR	\$ 1,578,859	\$ 1,141,959	\$ 879,473	\$ (262,486)

(Concluded)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LEGISLATIVE				
City Commission:				
Salaries	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Employer - FICA	1,000	1,000	918	82
Insurance:				
Workers compensation	100	100	32	68
Travel	200	1,000	1,450	(450)
Community promotion	4,000	3,000	2,751	249
County economic development	25,000	25,000	25,000	-
Membership dues	7,200	7,200	6,704	496
Cemetery contribution	20,600	20,600	20,427	173
Meetings	200	200	217	(17)
Miscellaneous	11,700	50,700	50,151	549
TOTAL LEGISLATIVE	82,000	120,800	119,650	1,150
GENERAL GOVERNMENT				
Mayor's Office:				
Salaries	3,500	3,500	3,500	-
Employer - FICA	300	300	268	32
Insurance:				
Workers compensation	100	100	7	93
Travel	500	500	832	(332)
Miscellaneous	300	300	9	291
Total Mayor's Office	4,700	4,700	4,616	84
City Manager:				
Salaries	97,300	95,900	97,410	(1,510)
Employer - FICA	7,000	7,000	7,863	(863)
Insurance:				
Health insurance	10,800	10,800	10,800	-
Reimbursement	600	600	600	-
Unemployment compensation	100	100	47	53
Workers compensation	400	400	249	151
Supplies	500	500	97	403
Contracted services	2,000	-	-	-
Travel	3,000	3,000	1,885	1,115
Community promotions	1,500	1,500	254	1,246
Employee/Board member recognition	10,800	10,800	10,032	768
Membership dues	1,500	1,500	1,192	308
Luncheon/Dinner meetings	1,000	1,000	600	400
Repairs	100	100	-	100
Miscellaneous	100	100	-	100
Total City Manager	136,700	133,300	131,029	2,271

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Elections:				
Salaries	\$ 6,900	\$ 10,200	\$ 9,780	\$ 420
Supplies	600	600	346	254
Equipment rental	100	100	51	49
Miscellaneous	900	800	52	748
Total Elections	8,500	11,700	10,229	1,471
Assessor:				
Salaries	79,900	79,900	79,697	203
Employer - FICA	6,100	6,100	6,141	(41)
Insurance:				
Health insurance	16,200	16,200	16,200	-
Reimbursement	1,200	1,200	1,200	-
Unemployment compensation	100	100	61	39
Workers compensation	800	800	722	78
Retirement	6,500	7,500	8,023	(523)
Supplies	2,500	2,500	593	1,907
Contracted services	13,000	12,000	9,802	2,198
Travel	900	900	25	875
Repairs and maintenance	200	200	-	200
Subscriptions	400	400	235	165
Membership dues	300	300	250	50
Luncheon/Dinner Meetings	100	100	93	7
Board of review/appeals	13,100	12,100	6,438	5,662
Total Assessor	145,300	144,300	130,005	14,295
City Attorney:				
Salaries	42,500	42,500	43,044	(544)
Employer - FICA	3,300	3,300	3,111	189
Insurance:				
Health insurance	10,800	10,800	10,800	-
Reimbursement	600	600	600	-
Unemployment compensation	100	100	31	69
Workers compensation	200	200	72	128
Retirement	3,200	3,200	4,658	(1,458)
Supplies	3,000	2,600	2,900	(300)
Travel	500	900	777	123
Legal fees	73,000	112,000	105,689	6,311
Total City Attorney	137,200	176,200	171,682	4,518

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
City Clerk:				
Salaries	\$ 150,100	\$ 149,700	\$ 155,258	\$ (5,558)
Employer - FICA	11,400	11,400	12,110	(710)
Insurance:				
Health insurance	11,000	11,000	11,000	-
Reimbursement	3,600	3,600	3,092	508
Unemployment compensation	100	100	92	8
Workers compensation	600	600	411	189
Retirement	11,200	14,200	16,152	(1,952)
Supplies	14,500	14,500	11,509	2,991
Safety activities	1,000	1,000	446	554
Insurance coverage	69,900	63,800	60,434	3,366
Travel	3,500	3,500	2,017	1,483
Personnel costs	6,000	12,000	11,956	44
Printing and publishing	3,000	3,000	859	2,141
Public notices	8,000	8,000	7,063	937
Repairs and maintenance	200	200	100	100
Subscriptions	1,600	1,600	1,582	18
Membership dues	600	600	450	150
Luncheon/Dinner Meetings	300	300	74	226
Contracted service	3,000	-	-	-
Equipment and furniture	1,200	1,200	1,035	165
Total City Clerk	300,800	300,300	295,640	4,660
City Treasurer:				
Salaries	271,200	271,200	268,268	2,932
Employer - FICA	20,800	20,800	20,187	613
Insurance:				
Health insurance	43,800	43,800	43,800	-
Reimbursement	3,600	3,600	3,080	520
Unemployment compensation	200	200	191	9
Workers compensation	900	900	741	159
Retirement	20,600	26,600	26,153	447
Tuition reimbursement	800	-	-	-
Supplies	11,500	10,100	8,211	1,889
Contracted services	500	-	-	-
Audit fees	17,800	15,800	15,786	14
Travel	1,000	1,000	813	187
Repairs and maintenance	400	400	-	400
Subscriptions	300	300	40	260
Membership dues	600	600	525	75
Refunds and rebates	2,000	1,000	-	1,000
Meetings	300	300	-	300
Excess liability insurance	-	8,000	-	8,000
Total City Treasurer	396,300	405,300	388,403	16,897

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Income Tax:				
Salaries	\$ 62,200	\$ 62,200	\$ 62,345	\$ (145)
Employer - FICA	4,800	4,800	5,074	(274)
Insurance:				
Health insurance	500	500	500	-
Reimbursement	2,400	2,400	2,528	(128)
Unemployment compensation	100	100	56	44
Workers compensation	100	200	176	24
Retirement	4,100	5,400	4,538	862
Supplies	4,000	6,300	5,798	502
Travel	600	400	343	57
Subscriptions	700	700	435	265
Total Income Tax	79,700	83,000	81,901	1,099
Information Management:				
Salaries	104,000	107,500	107,690	(190)
Employer - FICA	8,000	8,000	8,476	(476)
Insurance:				
Health insurance	5,500	5,500	5,500	-
Reimbursement	1,200	1,200	1,149	51
Unemployment compensation	100	100	71	29
Workers compensation	1,000	1,000	894	106
Retirement	8,000	11,000	11,139	(139)
Supplies	10,000	10,000	10,235	(235)
Contracted services	7,500	-	-	-
Telephone system	37,000	33,500	33,883	(383)
On-site training	1,000	26,600	25,430	1,170
Repairs and maintenance	98,000	98,500	95,148	3,352
Postage	20,000	25,500	25,145	355
Membership dues	700	700	225	475
Meetings	400	400	184	216
Hardware	23,000	29,000	26,258	2,742
Software	8,000	9,600	8,463	1,137
Total Information Management	333,400	368,100	359,890	8,210
Public Buildings:				
Salaries	6,900	18,900	11,350	7,550
Employer - FICA	-	800	815	(15)
Insurance:				
Health insurance	-	4,200	-	4,200
Reimbursement	-	1,800	1,142	658
Unemployment compensation	-	200	31	169
Workers compensation	-	400	-	400
Retirement	-	1,000	765	235
Supplies and materials	7,000	6,700	5,786	914
Contracted services	25,000	15,100	15,080	20
Utilities	34,000	34,000	26,117	7,883
Repairs and maintenance	5,100	5,100	2,966	2,134
Equipment rental	1,000	1,000	413	587
Equipment and furniture	1,000	-	-	-
Total Public Buildings	80,000	89,200	64,465	24,735

(Continued)

CITY OF BIG RAPIDS

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Neighborhood Services:				
Salaries	\$ 145,700	\$ 147,300	\$ 147,310	\$ (10)
Employer - FICA	11,200	11,200	11,495	(295)
Insurance:				
Health insurance	22,100	22,100	22,100	-
Reimbursement	3,600	3,600	3,902	(302)
Unemployment compensation	100	100	101	(1)
Workers compensation	1,000	1,500	1,463	37
Retirement	11,400	11,400	12,228	(828)
Supplies	2,000	1,500	1,518	(18)
Uniforms	500	-	-	-
Abatement services	3,000	100	80	20
Travel	2,000	2,100	1,950	150
Equipment and furniture	3,000	3,000	2,999	1
Refunds and rebates	100	300	110	190
Equipment rental	3,200	3,200	3,733	(533)
Subscriptions	500	600	580	20
Membership dues	500	500	500	-
Property purchase	205,000	205,000	5,885	199,115
Contribution to DDA - business loans	-	70,000	70,000	-
Miscellaneous	400	19,900	17,204	2,696
Total Neighborhood Services	415,300	503,400	303,158	200,242
Plan Board:				
Salaries	1,000	1,000	735	265
Employer - FICA	100	100	-	100
Supplies	100	200	122	78
Travel	2,000	900	250	650
Membership dues	1,400	1,400	1,400	-
Total Plan Board	4,600	3,600	2,507	1,093
TOTAL GENERAL GOVERNMENT	2,042,500	2,223,100	1,943,525	279,575

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
PUBLIC SAFETY				
Police:				
Salaries	\$ 905,300	\$ 943,600	\$ 908,441	\$ 35,159
Employer - FICA	69,300	69,300	70,225	(925)
Insurance:				
Health insurance	162,000	162,000	162,000	-
Reimbursement	10,200	10,200	10,015	185
Unemployment compensation	500	500	638	(138)
Workers compensation	11,800	11,000	10,830	170
Act 345 retirement system	50,000	91,000	90,850	150
Defined contribution	85,600	89,600	90,772	(1,172)
Supplies	18,000	23,000	22,613	387
Uniforms	13,900	13,900	10,495	3,405
Contracted services	25,000	31,300	20,844	10,456
Educational materials	4,000	4,000	3,308	692
Rifle range	600	600	-	600
Insurance coverage	33,600	31,400	31,363	37
Medical examinations	2,000	2,000	57	1,943
Travel	2,000	2,000	1,866	134
In-Service training	10,900	10,900	5,903	4,997
Repairs and maintenance	7,500	7,500	7,236	264
Equipment rental	80,000	80,000	82,495	(2,495)
Membership dues	400	400	-	400
Subscriptions	300	300	51	249
Towing	200	200	135	65
Special projects	4,500	3,500	2,482	1,018
Equipment and furniture	14,100	18,100	14,588	3,512
Total Police	1,511,700	1,606,300	1,547,207	59,093
Fire:				
Salaries	487,800	503,100	503,193	(93)
Employer - FICA	37,300	37,300	39,502	(2,202)
Insurance:				
Health insurance	91,800	90,000	90,000	-
Reimbursement	5,400	7,200	6,802	398
Unemployment compensation	300	300	292	8
Workers compensation	9,600	10,200	10,122	78
Defined contribution	50,000	50,000	50,472	(472)
Supplies	21,700	26,000	20,311	5,689
Uniforms	8,500	8,600	7,625	975
Oil and lubricants	800	800	778	22
Insurance coverage	8,800	8,500	7,448	1,052
Food allowance	9,300	9,300	9,273	27
Contracted services	1,200	1,200	731	469
Travel	3,000	2,000	1,373	627
Tuition reimbursement	-	1,000	375	625
Utilities	300	300	439	(139)
Repairs and maintenance	2,700	2,700	1,689	1,011
Equipment rental	10,000	10,000	7,756	2,244
Subscriptions	400	400	-	400
Membership dues	600	600	310	290
Mass destruction project	1,000	1,000	-	1,000
Equipment and furniture	39,700	39,700	13,422	26,278
Total Fire	790,200	810,200	771,913	38,287

(Continued)

CITY OF BIG RAPIDS

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public Safety:				
Salaries	\$ 175,300	\$ 177,800	\$ 181,043	\$ (3,243)
Employer - FICA	13,400	13,400	13,618	(218)
Insurance:				
Health insurance	21,700	21,700	21,700	-
Reimbursement	1,800	1,800	1,800	-
Unemployment compensation	100	100	92	8
Workers compensation	1,300	3,000	2,993	7
Act 345 retirement system	70,000	76,000	72,635	3,365
Defined contribution	2,800	2,800	3,820	(1,020)
Supplies	4,400	3,900	1,711	2,189
Travel	1,700	2,300	2,792	(492)
In-Service training	1,000	1,000	267	733
Subscriptions	100	100	-	100
Membership dues	500	500	475	25
Luncheon/Dinner meetings	400	-	-	-
Facilities	35,200	47,000	46,800	200
Contracted services	28,000	20,700	17,875	2,825
Equipment and furniture	7,000	24,900	22,853	2,047
Total Public Safety	364,700	397,000	390,474	6,526
TOTAL PUBLIC SAFETY	2,666,600	2,813,500	2,709,594	103,906
PUBLIC WORKS				
Public service:				
Salaries	170,600	171,000	173,370	(2,370)
Employer - FICA	13,100	13,100	13,419	(319)
Insurance:				
Health insurance	32,400	32,400	32,400	-
Reimbursement	1,800	1,800	1,563	237
Unemployment compensation	100	100	92	8
Workers compensation	1,200	1,200	1,113	87
Retirement	13,000	19,000	18,503	497
Supplies and materials	3,800	3,200	2,784	416
Contracted services	5,500	5,500	4,806	694
Engineering services	15,000	10,500	9,039	1,461
Travel	3,200	2,700	2,754	(54)
Street lighting	70,000	69,200	64,312	4,888
Repairs and maintenance	800	800	736	64
Equipment rental	22,000	22,000	19,944	2,056
Subscriptions	100	100	-	100
Membership dues	900	900	648	252
Luncheon/Dinner meetings	400	400	316	84
Equipment and furniture	-	1,000	936	64
Total Public Service	353,900	354,900	346,735	8,165
Sidewalks, Alleys and Storm Sewers:				
Salaries	40,300	40,300	31,813	8,487
Supplies and materials	8,000	8,000	7,816	184
Contracted services	8,000	8,000	8,064	(64)
Project costs	225,500	377,900	115,530	262,370
Total Sidewalks, Alleys and Storm Sewers	281,800	434,200	163,223	270,977
Parking:				
Salaries	22,500	22,500	24,561	(2,061)
Supplies and materials	8,100	8,100	3,456	4,644
Contracted services	29,000	104,000	12,722	91,278
Equipment rental	24,000	24,000	34,877	(10,877)
Total Parking	83,600	158,600	75,616	82,984

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
City Engineering:				
Salaries	\$ 155,900	\$ 162,400	\$ 164,378	\$ (1,978)
Employer - FICA	11,900	11,900	13,002	(1,102)
Health insurance	18,500	18,500	18,500	-
Reimbursement	1,800	1,800	1,800	-
Unemployment compensation	100	100	92	8
Workers compensation	2,200	2,200	2,113	87
Retirement	12,600	13,500	15,475	(1,975)
Supplies and materials	2,400	5,400	5,343	57
Contracted services	5,500	700	220	480
Travel	3,000	2,100	1,359	741
Repairs and maintenance	500	500	-	500
Equipment rental	13,200	12,000	7,865	4,135
Subscriptions	100	100	-	100
Membership dues	200	400	333	67
Luncheon/Dinner meetings	200	200	58	142
Equipment and furniture	6,000	6,000	5,259	741
Total City Engineering	234,100	237,800	235,797	2,003
City decorations:				
Salaries	10,400	10,400	17,634	(7,234)
Employer - FICA	200	200	-	200
Supplies	6,000	6,400	6,399	1
Contracted services	9,200	8,800	5,071	3,729
MOARC/Cleaning	5,000	5,000	4,765	235
Utilities	5,500	5,500	4,757	743
Equipment rental	28,200	28,200	15,504	12,696
Total City Decorations	64,500	64,500	54,130	10,370
TOTAL PUBLIC WORKS	1,017,900	1,250,000	875,501	374,499
RECREATION AND CULTURAL				
Parks:				
Salaries	105,000	109,000	94,712	14,288
Employer - FICA	1,000	1,300	1,771	(471)
Insurance:				
Unemployment compensation	100	100	36	64
Workers compensation	500	500	-	500
Supplies and materials	15,000	15,000	14,826	174
Contracted services	1,300	1,300	275	1,025
Utilities	18,000	18,000	12,166	5,834
Repairs and maintenance	14,100	13,800	5,402	8,398
Equipment rental	83,100	83,100	84,530	(1,430)
Membership dues	400	400	330	70
Project costs	47,800	51,300	32,772	18,528
Equipment & Furniture	5,300	5,300	-	5,300
Total Parks	291,600	299,100	246,820	52,280

(Continued)

CITY OF BIG RAPIDS

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONCLUDED)**

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Recreation Program:				
Salaries	\$ 27,000	\$ 29,000	\$ 24,262	\$ 4,738
Employer - FICA	2,100	2,100	2,030	70
Insurance:				
Unemployment compensation	100	100	35	65
Workers compensation	800	800	721	79
Supplies	4,500	4,500	2,652	1,848
Contracted services	8,400	8,400	6,323	2,077
Youth program	8,000	6,000	715	5,285
Refunds and rebates	200	200	350	(150)
Total Recreation Program	51,100	51,100	37,088	14,012
TOTAL RECREATION AND CULTURAL	342,700	350,200	283,908	66,292
Debt Service				
Principal	130,000	130,000	129,977	23
Interest	192,300	192,300	190,980	1,320
Total Debt Service	322,300	322,300	320,957	1,343
TOTAL EXPENDITURES	\$ 6,474,000	\$ 7,079,900	\$ 6,253,135	\$ 826,765

(Concluded)

CITY OF BIG RAPIDS, MICHIGAN

SPECIAL REVENUE FUNDS

DESCRIPTION OF FUNDS

SPECIAL REVENUE FUNDS

Major and Local Street Funds - These funds are used to account for the receipt and expenditures of State shared gas and weight taxes under Act 51, P.A. 1951 as amended. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets.

Library Fund – This fund is used to account separately for activities of the City Library.

Pool – This fund is used to account for revenues and expenditures resulting from pool operations.

Roben-Hood Airport – This fund is used to account for the revenues and expenditures of airport operations.

Jennings Fund – This fund is used to account for donations and income which is legally restricted for the purpose of the gift which supports City activities.

Miller and Ahlgren – This fund was established in May 1986. The donors have assisted the City to obtain a historical marker designating Swede Hill as a memorial commemorating the Scandinavian heritage and memory of early Big Rapids settlers.

Riverwalk Fund – This fund is used to account for donations and expenditures related to the City Riverwalk.

CAPITAL PROJECTS

Capital Projects- These funds are used to account for the accumulation and disbursement of resources for the construction of capital assets. (City Hall Project and Library Improvement)

DEBT SERVICE

Debt Service Fund – This fund is used to account for the accumulation of resources and the payment of debt service costs.

PERMANENT FUND

Playscape Fund – This fund is used to account for donations and expenditures related to the City Playscape Park for which only the interest on the corpus may be expended.

CITY OF BIG RAPIDS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005

<u>ASSETS</u>	<u>SPECIAL REVENUE FUNDS</u>				
	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>LIBRARY</u>	<u>POOL</u>	<u>ROBEN-HOOD AIRPORT</u>
Cash and temporary investments	\$ 942,755	\$ 804,202	\$ 172,146	\$ 251,954	\$ 156,696
Accounts receivable	43	-	-	-	1,000
Special assessments receivable	-	24,100	-	-	-
Inventory	-	-	-	-	1,575
Due from other governmental units	94,214	26,345	8,601	-	-
<u>TOTAL ASSETS</u>	\$ 1,037,012	\$ 854,647	\$ 180,747	\$ 251,954	\$ 159,271
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 260	\$ 15,861	\$ 1,125	\$ 1,202	\$ 2,406
Accrued liabilities	-	-	9,221	17,726	-
Deferred revenue	278,850	24,100	-	-	-
TOTAL LIABILITIES	279,110	39,961	10,346	18,928	2,406
FUND BALANCES					
Reserved for capital projects	238,638	-	-	-	-
Reserved for restricted contributions	-	-	2,500	-	-
Reserved for permanent trust corpus	-	-	-	-	-
Reserved for permanent trust purpose	-	-	-	-	-
Unreserved - undesignated	519,264	814,686	167,901	233,026	156,865
TOTAL FUND BALANCES	757,902	814,686	170,401	233,026	156,865
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 1,037,012	\$ 854,647	\$ 180,747	\$ 251,954	\$ 159,271

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS			PERMANENT	
JENNINGS	MILLER & AHLGREN	RIVERWALK	CITY HALL PROJECT	LIBRARY IMPROVEMENT	DEBT SERVICE	FUND PLAYSCAPE	TOTAL
\$ 4,203	\$ 4,871	\$ 24,413	\$ 50,178	\$ 49,437	\$ -	\$ 17,570	\$ 2,478,425
-	-	-	-	-	-	-	1,043
-	-	-	-	-	-	-	24,100
-	-	-	-	-	-	-	1,575
-	-	137,841	-	-	-	-	267,001
\$ 4,203	\$ 4,871	\$ 162,254	\$ 50,178	\$ 49,437	\$ -	\$ 17,570	\$ 2,772,144
\$ -	\$ -	\$ 109,175	\$ -	\$ -	\$ -	\$ -	130,029
-	-	-	-	-	-	-	26,947
-	-	-	-	-	-	-	302,950
-	-	109,175	-	-	-	-	459,926
-	-	-	50,178	49,437	-	-	338,253
4,203	4,871	53,079	-	-	-	-	64,653
-	-	-	-	-	-	17,000	17,000
-	-	-	-	-	-	570	570
-	-	-	-	-	-	-	1,891,742
4,203	4,871	53,079	50,178	49,437	-	17,570	2,312,218
\$ 4,203	\$ 4,871	\$ 162,254	\$ 50,178	\$ 49,437	\$ -	\$ 17,570	\$ 2,772,144

CITY OF BIG RAPIDS

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	MAJOR STREETS	LOCAL STREETS	LIBRARY	POOL	ROBEN-HOOD AIRPORT
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
State	561,047	163,304	17,223	-	-
Charges for services	-	-	3,670	28,481	37,429
Fines and forfeits	-	-	121,438	-	-
Investment earnings	6,706	25,161	8,227	9,398	4,324
Other	419	13,162	9,478	3,226	19,856
TOTAL REVENUES	568,172	201,627	160,036	41,105	61,609
EXPENDITURES					
Current:					
Public works:					
Highways and streets	420,427	349,580	-	-	-
Recreation and cultural	-	-	329,520	134,099	150,240
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
TOTAL EXPENDITURES	420,427	349,580	329,520	134,099	150,240
REVENUES OVER (UNDER) EXPENDITURES	147,745	(147,953)	(169,484)	(92,994)	(88,631)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	298,500	186,200	70,300	135,000
Transfers (out)	(146,200)	(62,300)	(27,700)	(1,500)	(17,200)
TOTAL OTHER FINANCING SOURCES (USES)	(146,200)	236,200	158,500	68,800	117,800
NET CHANGES IN FUND BALANCES	1,545	88,247	(10,984)	(24,194)	29,169
FUND BALANCES, BEGINNING OF YEAR	756,357	726,439	181,385	257,220	127,696
FUND BALANCES, END OF YEAR	\$ 757,902	\$ 814,686	\$ 170,401	\$ 233,026	\$ 156,865

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		DEBT SERVICE	PERMANENT FUND		TOTAL
JENNINGS	MILLER & AHLGREN	RIVERWALK	CITY HALL PROJECT	LIBRARY IMPROVEMENT		PLAYSCAPE		
\$ -	\$ -	\$ -	\$ -	\$ -	79,131	\$ -		79,131
-	-	-	-	-	-	-		741,574
-	-	-	-	-	-	-		69,580
-	-	-	-	-	-	-		121,438
144	164	-	370	(563)	42,505	698		97,134
-	-	530,497	-	-	-	-		576,638
144	164	530,497	370	(563)	121,636	698		1,685,495
-	-	-	-	-	-	-		770,007
-	-	516,489	-	-	-	1,800		1,132,148
-	-	-	-	-	200,000	-		200,000
-	-	-	-	-	6,850	-		6,850
-	-	516,489	-	-	206,850	1,800		2,109,005
144	164	14,008	370	(563)	(85,214)	(1,102)		(423,510)
-	-	-	25,000	50,000	16,702	-		781,702
-	-	-	-	-	-	-		(254,900)
-	-	-	25,000	50,000	16,702	-		526,802
144	164	14,008	25,370	49,437	(68,512)	(1,102)		103,292
4,059	4,707	39,071	24,808	-	68,512	18,672		2,208,926
\$ 4,203	\$ 4,871	\$ 53,079	\$ 50,178	\$ 49,437	\$ -	\$ 17,570	\$	2,312,218

CITY OF BIG RAPIDS

NONMAJOR FUNDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

SPECIAL REVENUE FUNDS

	MAJOR STREETS				LOCAL STREETS				LIBRARY			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue												
State	483,500	812,600	561,047	(251,553)	133,000	158,000	163,304	5,304	15,400	15,400	17,223	1,823
Charges for services	-	-	-	-	-	-	-	-	4,800	4,800	3,670	(1,130)
Fines and forfeits	-	-	-	-	-	-	-	-	130,500	130,500	121,438	(9,062)
Interest	10,000	10,000	6,706	(3,294)	10,200	28,200	25,161	(3,039)	3,000	3,000	8,227	5,227
Other	500	500	419	(81)	500	14,500	13,162	(1,338)	2,300	7,600	9,478	1,878
TOTAL REVENUES	494,000	823,100	568,172	(254,928)	143,700	200,700	201,627	927	156,000	161,300	160,046	(1,264)
EXPENDITURES												
Current												
Public works:												
Highways and streets	618,900	843,000	420,427	422,573	478,800	830,400	349,580	480,820	-	-	329,520	32,480
Recreation and cultural	-	-	-	-	-	-	-	-	316,000	362,000	-	-
Debt Service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	618,900	843,000	420,427	422,573	478,800	830,400	349,580	480,820	316,000	362,000	329,520	32,480
REVENUES OVER (UNDER) EXPENDITURES	(124,900)	(19,900)	147,745	167,645	(335,100)	(629,700)	(147,953)	481,747	(160,000)	(200,700)	(169,484)	31,216
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	298,500	298,500	298,500	-	186,200	186,200	186,200	-
Transfers (out)	(120,700)	(146,200)	(146,200)	-	(33,800)	(62,300)	(62,300)	-	(26,200)	(27,700)	(27,700)	-
TOTAL OTHER FINANCING SOURCES (USES)	(120,700)	(146,200)	(146,200)	-	264,700	236,200	236,200	-	160,000	158,500	158,500	-
NET CHANGES IN FUND BALANCES	(245,600)	(166,100)	1,545	167,645	(70,400)	(393,500)	88,247	481,747	-	(42,200)	(10,984)	31,216
FUND BALANCES, BEGINNING OF YEAR	756,357	756,357	756,357	-	726,439	726,439	726,439	-	181,385	181,385	181,385	-
FUND BALANCES, END OF YEAR	\$ 510,757	\$ 590,257	\$ 757,902	\$ 167,645	\$ 656,039	\$ 332,939	\$ 814,686	\$ 481,747	\$ 181,385	\$ 139,185	\$ 170,401	\$ 31,216

(Continued)

CITY OF BIG RAPIDS

NONMAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS									
	POOL					ROBEN-HOOD AIRPORT				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:										
State	-	-	-	-	95,000	95,000	-	(95,000)	-	-
Charges for services	22,000	32,000	28,481	(3,519)	31,800	31,800	37,429	5,629	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Interest	2,500	8,500	9,398	898	1,400	1,400	4,324	2,924	100	200
Other	2,200	3,700	3,226	(474)	2,500	2,500	19,856	17,356	-	-
TOTAL REVENUES	26,700	44,200	41,105	(3,095)	130,700	130,700	61,609	(69,091)	100	200
									144	144
EXPENDITURES										
Current:										
Public works:										
Highways and streets	-	-	-	-	-	-	-	-	-	-
Recreation and cultural	125,600	139,600	134,099	5,501	298,200	306,200	150,240	155,960	100	100
Debt Service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	125,600	139,600	134,099	5,501	298,200	306,200	150,240	155,960	100	100
REVENUES OVER (UNDER) EXPENDITURES	(98,900)	(95,400)	(92,994)	2,406	(167,500)	(175,500)	(88,631)	86,869	-	144
OTHER FINANCING SOURCES (USES)										
Transfers in	70,300	70,300	70,300	-	135,000	135,000	135,000	-	-	-
Transfers (out)	-	(1,500)	(1,500)	-	(15,700)	(17,200)	(17,200)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	70,300	68,800	68,800	-	119,300	117,800	117,800	-	-	-
NET CHANGES IN FUND BALANCES	(28,600)	(26,600)	(24,194)	2,406	(48,200)	(57,700)	29,169	86,869	-	144
FUND BALANCES, BEGINNING OF YEAR	257,220	257,220	257,220	-	127,696	127,696	127,696	-	4,059	4,059
FUND BALANCES, END OF YEAR	\$ 228,620	\$ 230,620	\$ 233,026	\$ 2,406	\$ 79,496	\$ 69,996	\$ 156,865	\$ 86,869	\$ 4,059	\$ 4,203

(Continued)

CITY OF BIG RAPIDS

NONMAJOR FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	MILLER & AHLGREN				RIVERWALK				1998 DEBT SERVICE FUND			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,200	\$ 80,200	\$ 79,131	\$ (1,069)
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	100	200	164	(36)	-	-	-	-	500	57,500	42,505	(14,995)
Other	-	-	-	-	-	640,500	530,497	(110,003)	-	-	-	-
TOTAL REVENUES	100	200	164	(36)	-	640,500	530,497	(110,003)	80,700	137,700	121,636	(16,064)
EXPENDITURES												
Current:												
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Highways and streets	100	100	-	100	-	676,300	516,489	159,811	-	-	-	-
Recreation and cultural	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:	-	-	-	-	-	-	-	-	200,000	200,000	200,000	-
Principal retirement	-	-	-	-	-	-	-	-	9,400	9,400	6,850	2,550
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	100	100	-	100	-	676,300	516,489	159,811	209,400	209,400	206,850	2,550
REVENUES OVER (UNDER) EXPENDITURES	-	100	164	64	-	(35,800)	14,008	49,808	(128,700)	(71,700)	(85,214)	(13,514)
OTHER FINANCING SOURCES (USES)												
Transfer in	-	-	-	-	-	-	-	-	79,700	79,700	16,702	(62,998)
Transfer (out)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	79,700	79,700	16,702	(62,998)
NET CHANGES IN FUND BALANCES	-	100	164	64	-	(35,800)	14,008	49,808	(49,000)	8,000	(68,512)	(76,512)
FUND BALANCES, BEGINNING OF YEAR	4,707	4,707	4,707	-	39,071	39,071	39,071	-	68,512	68,512	68,512	-
FUND BALANCES, END OF YEAR	\$ 4,707	\$ 4,807	\$ 4,871	\$ 64	\$ 39,071	\$ 3,271	\$ 53,079	\$ 49,808	\$ 19,512	\$ 76,512	\$ -	\$ (76,512)

(Continued)

CITY OF BIG RAPIDS

NONMAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2005

	PERMANENT FUND			
	PLAYSCAPE			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-
State	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	500	700	698	(2)
Other	-	-	-	-
TOTAL REVENUES	500	700	698	(2)
EXPENDITURES				
Current				
Public works:				
Highways and streets	-	-	-	-
Recreation and cultural	1,100	1,900	1,800	100
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	1,100	1,900	1,800	100
REVENUES OVER (UNDER) EXPENDITURES	(600)	(1,200)	(1,102)	98
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	(600)	(1,200)	(1,102)	98
FUND BALANCES, BEGINNING OF YEAR	18,672	18,672	18,672	-
FUND BALANCES, END OF YEAR	\$ 18,072	\$ 17,472	\$ 17,570	\$ 98

(Continued)

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

	July 1, 2004 to September 30, 2004	October 1, 2004 to June 30, 2005	Total
Charges for services - fares	\$ 9,413	\$ 40,280	\$ 49,693
Other revenues	29,739	5,223	34,962
Total operating revenues	\$ 39,152	\$ 45,503	\$ 84,655

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF NONOPERATING REVENUES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005

	July 1, 2004 to September 30, 2004	October 1, 2004 to June 30, 2005	Total
Interest on investments	\$ 195	\$ 3,139	\$ 3,334
Federal Operating Grants			
U.S. Department of Transportation - Section 5311			
Grant 02-0019/Z5 FY 04 operating - decrease deferral	329	-	329
Grant 02-0019/Z5 FY 04 operating	5,794	3,510	9,304
Grant 02-0019/Z6 FY 05 operating	-	23,456	23,456
Grant 02-0019/Z6 FY 05 operating - increase accrual	-	6,610	6,610
Rural Transportation Assistance Program	165	-	165
State of Michigan Operating Grants			
Statutory Operating Assistance	45,586	109,755	155,341
Statutory Operating Assistance - increase deferral	-	(9,198)	(9,198)
Other Nonoperating Revenues	-	6,556	6,556
Transfer from local unit	-	67,300	67,300
TOTAL NONOPERATING REVENUES	\$ 52,069	\$ 211,128	\$ 263,197

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF OPERATING EXPENSES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005

	OPERATIONS	MAINTENANCE	GENERAL ADMINI- STRATION	TOTAL SYSTEM
LABOR				
Operators' salaries and wages	\$ 123,862	\$ -	\$ -	\$ 123,862
Other salaries and wages	7,707	-	26,352	34,059
Dispatchers' salaries and wages	53,446	-	-	53,446
FRINGE BENEFITS	23,743	1,465	2,587	27,795
SERVICES				
Other services	-	-	22,724	22,724
MATERIALS AND SUPPLIES CONSUMED				
Fuel and lubricants	22,538	355	-	22,893
Other materials and supplies	16,228	4,771	28,700	49,699
CASUALTY AND LIABILITY COSTS				
Premiums for public liability and property damage insurance	10,689	-	-	10,689
MISCELLANEOUS EXPENSES				
Other miscellaneous	3,445	-	347	3,792
DEPRECIATION AND AMORTIZATION	-	-	84,758	84,758
TOTAL EXPENSES	<u>\$ 261,658</u>	<u>\$ 6,591</u>	<u>\$ 165,468</u>	<u>\$ 433,717</u>

CITY OF BIG RAPIDS
TRANSPORTATION FUND
NET ELIGIBLE COSTS COMPUTATION OF
GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2005

	FEDERAL SECTION 5311		STATE OPERATING ASSISTANCE	
	July 1, 2004 to September 30, 2004	October 1, 2004 to June 30, 2005	July 1, 2004 to September 30, 2005	October 1, 2004 to June 30, 2005
EXPENSES				
Labor	\$ 40,212	\$ 171,155	\$ 40,212	\$ 171,155
Fringe benefits	9,146	18,649	9,146	18,649
Services	3,000	19,724	3,000	19,724
Materials and supplies	14,579	58,013	14,579	58,013
Casualty and liability	10,199	490	10,199	490
Miscellaneous	1,115	2,677	1,115	2,677
Depreciation	21,190	63,568	21,190	63,568
TOTAL EXPENSES	99,441	334,276	99,441	334,276
INELIGIBLE EXPENSES				
Depreciation	(21,190)	(63,568)	(21,190)	(63,568)
Audit fees	-	-	-	(3,000)
RTAP reimbursement	-	(165)	-	(165)
ADD BACK				
Depreciation on equipment purchased with operating revenue	-	-	-	-
TOTAL INELIGIBLE EXPENSES	(21,190)	(63,733)	(21,190)	(66,733)
TOTAL ELIGIBLE EXPENSES	\$ 78,251	\$270,543	78,251	267,543
Maximum Section 5311 Reimbursement (10.95%)/(12.40%)	<u>\$ 8,568</u>	<u>\$ 33,576</u>	<u>(8,568)</u>	<u>(33,576)</u>
Eligible for State Operating Assistance			<u>\$ 69,683</u>	<u>\$ 233,967</u>
Maximum State Operating Assistance Reimbursement (42.23%)/(38.43%)			\$ 29,427	\$ 89,914
Amount received to June 30, 2005		26,966	36,581	109,755
Receivable (Payable)		<u>\$ 6,610</u>	<u>\$ (7,154)</u>	<u>\$ (19,841)</u>

CITY OF BIG RAPIDS

TRANSPORTATION FUND SECTION 5311 OPERATING ASSISTANCE

FOR THE PRIOR PERIOD OCTOBER 1, 2003
THROUGH SEPTEMBER 30, 2004
FOR THE YEAR ENDED JUNE 30, 2005

	10/01/03 to 06/30/04 FYE 06/30/04	07/01/04 to 09/30/04 FYE 06/30/05	TOTAL
EXPENSES			
Labor	\$ 129,456	\$ 40,212	\$ 169,668
Fringe benefits	29,862	9,146	39,008
Services	3,347	3,000	6,347
Materials and supplies	59,820	14,579	74,399
Utilities	1,555	-	1,555
Casualty and liability	-	10,199	10,199
Miscellaneous	493	1,115	1,608
Depreciation	66,438	21,190	87,628
TOTAL EXPENSES	290,971	99,441	390,412
INELIGIBLE EXPENSES			
Depreciation	(66,438)	(21,190)	(87,628)
RTAP reimbursement	(892)	-	(892)
ADD BACK			
Depreciation on equipment purchased with operating revenue	-	-	-
TOTAL INELIGIBLE EXPENSES	(67,330)	(21,190)	(88,520)
TOTAL ELIGIBLE EXPENSES	\$ 223,641	\$ 78,251	\$ 301,892
SECTION 5311 REIMBURSEMENT (10.95%)	\$ 24,489	\$ 8,568	\$ 33,057
MAXIMUM AWARD PER CONTRACT			\$ 34,122
AMOUNT RECEIVED FOR THE ABOVE EXPENSES	\$ 24,818	\$ 9,304	34,122
AMOUNT DUE FROM MICHIGAN DEPARTMENT OF TRANSPORTATION			\$ -

CITY OF BIG RAPIDS

TRANSPORTATION FUND STATE OPERATING ASSISTANCE

**FOR THE PRIOR PERIOD OCTOBER 1, 2003
THROUGH SEPTEMBER 30, 2004
FOR THE YEAR ENDED JUNE 30, 2005**

	10/01/03 to 06/30/04 FYE 06/30/04	07/01/04 to 09/30/04 FYE 06/30/05	TOTAL
EXPENSES			
Labor	\$ 129,456	\$ 40,212	\$ 169,668
Fringe benefits	29,862	9,146	39,008
Services	3,347	3,000	6,347
Materials and supplies	59,820	14,579	74,399
Utilities	1,555	-	1,555
Casualty and liability	-	10,199	10,199
Miscellaneous	493	1,115	1,608
Depreciation	66,438	21,190	87,628
TOTAL EXPENSES	290,971	99,441	390,412
INELIGIBLE EXPENSES			
Depreciation	(66,438)	(21,190)	(87,628)
Audit fees	(3,000)	-	(3,000)
RTAP reimbursement	(892)	-	(892)
ADD BACK			
Depreciation on equipment purchased with operating revenue	-	-	-
TOTAL INELIGIBLE EXPENSES	(70,330)	(21,190)	(91,520)
TOTAL ELIGIBLE EXPENSES	220,641	78,251	298,892
MAXIMUM SECTION 5311 REIMBURSEMENT	24,489	8,568	33,057
ELIGIBLE FOR STATE ASSISTANCE	\$ 196,152	\$ 69,683	\$ 265,835
STATE STATUTORY OPERATING ASSISTANCE			
The lower of its:			
STATUTORY CAP:			
60.0% Eligible Expense for Non-Urbanized Areas			\$ 179,335
But at least a minimum of its 1997 payments			\$ 198,943
Reimbursement due	\$ 82,855	\$ 29,427	\$ 112,282
Amount received for the above expenses	109,755	36,581	146,336
Amount due from (to) Michigan Department of Transportation before Michigan Department of Transportation reconciliation	\$ (26,900)	\$ (7,154)	\$ (34,054)

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF CHANGES IN CONTRIBUTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FEDERAL</u>		<u>STATE</u>		<u>TOTAL</u>
Balances - July 1, 2004	\$ 333,686	\$	22,122	\$	355,808
Depreciation for year ended June 30, 2005	<u>(80,100)</u>		<u>(4,658)</u>		<u>(84,758)</u>
Balances - June 30, 2005	<u>\$ 253,586</u>	\$	<u>17,464</u>	\$	<u>271,050</u>

CITY OF BIG RAPIDS
TRANSPORTATION FUND
MILEAGE DATA
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

DEMAND - RESPONSE	
First Quarter	17,804
Second Quarter	26,543
Third Quarter	17,309
Fourth Quarter	<u>20,620</u>
 TOTAL DEMAND RESPONSE	 <u><u>82,276</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF BIG RAPIDS, MICHIGAN

INTERNAL SERVICE FUNDS

DESCRIPTION OF FUNDS

Internal Service Funds are used to account for the financing of special activities or services performed by a designated unit within the City for other units of the City. These funds are supported entirely by the sale of goods or services to other funds.

Motor Pool Fund - This fund is used to account for the purchase, maintenance and operation of all motor vehicles (except those of the Fire Department, Transportation Fund, Water Fund, and Wastewater Fund) and other equipment for City operations. The equipment is rented to the other operating funds at hourly rental rates to cover costs of the fund.

D.P.W. Service Fund - This fund is used to facilitate the accounting for supervision, non-productive labor and fringe benefits of the Public Works Department. Revenues of this fund represent allocations of these costs to the various funds based on the actual salary cost of Public Works Department employees in each fund.

Self-Insurance Fund - The Self-Insurance Fund is used to account for revenues collected from user departments for the payment of costs incurred to administer the self-funded health insurance program, third party administrative expenses and actual health claims paid.

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2005

<u>ASSETS</u>	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
CURRENT ASSETS				
Cash and temporary investments	\$ 545,477	\$ 83,490	\$ 450,610	\$ 1,079,577
Accounts receivable	-	802	956	1,758
Inventory	61,464	-	-	61,464
TOTAL CURRENT ASSETS	606,941	84,292	451,566	1,142,799
CAPITAL ASSETS				
Buildings	691,614	-	-	691,614
Machinery and equipment	2,023,168	-	-	2,023,168
	2,714,782	-	-	2,714,782
Less accumulated depreciation	1,920,036	-	-	1,920,036
TOTAL CAPITAL ASSETS	794,746	-	-	794,746
<u>TOTAL ASSETS</u>	1,401,687	84,292	451,566	1,937,545
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	4,495	-	-	4,495
Accrued liabilities	14,466	65,732	33,199	113,397
TOTAL LIABILITIES	18,961	65,732	33,199	117,892
<u>NET ASSETS</u>				
NET ASSETS				
Investment in capital assets	794,746	-	-	794,746
Unrestricted	587,980	18,560	418,367	1,024,907
TOTAL NET ASSETS	\$ 1,382,726	\$ 18,560	\$ 418,367	\$ 1,819,653

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
OPERATING REVENUES				
Charges for services	\$ 640,695	\$ 563,937	\$ 948,106	\$ 2,152,738
Other	18,012	12,933	5,519	36,464
TOTAL OPERATING REVENUES	658,707	576,870	953,625	2,189,202
OPERATING EXPENSES				
Wages and salaries	131,860	499,942	-	631,802
Employee benefits	44,548	230,501	-	275,049
Supplies	11,019	-	-	11,019
Gas and oil	63,252	-	-	63,252
Heat, power and lights	21,026	-	-	21,026
Repairs and maintenance	86,612	-	-	86,612
Rent	8,112	-	-	8,112
Contracted services	1,600	-	48,169	49,769
Professional fees	1,280	-	1,503	2,783
Depreciation	179,491	-	-	179,491
Insurance	43,052	-	770,465	813,517
Miscellaneous	404	-	-	404
TOTAL OPERATING EXPENSES	592,256	730,443	820,137	2,142,836
OPERATING INCOME (LOSS)	66,451	(153,573)	133,488	46,366
NON-OPERATING REVENUES				
Investment earnings	13,267	-	4,058	17,325
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	79,718	(153,573)	137,546	63,691
Capital contribution	160,520	-	-	160,520
Transfers in	-	150,000	-	150,000
Transfers out	(48,800)	(5,000)	-	(53,800)
CHANGE IN NET ASSETS	191,438	(8,573)	137,546	320,411
NET ASSETS, BEGINNING OF YEAR	1,191,288	27,133	280,821	1,499,242
NET ASSETS, END OF YEAR	\$ 1,382,726	\$ 18,560	\$ 418,367	\$ 1,819,653

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 658,707	\$ 576,068	\$ 953,482	\$ 2,188,257
Payments to suppliers	(232,932)	-	(802,301)	(1,035,233)
Payments to employees	(172,699)	(722,220)	-	(894,919)
Net cash provided by (used in) operating activities	253,076	(146,152)	151,181	258,105
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	150,000	-	150,000
Transfers (out)	(48,800)	(5,000)	-	(53,800)
Net cash provided by (used in) non-capital financing activities	(48,800)	145,000	-	96,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(135,062)	-	-	(135,062)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	13,267	-	4,058	17,325
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	82,481	(1,152)	155,239	236,568
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	462,996	84,642	295,371	843,009
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 545,477	\$ 83,490	\$ 450,610	\$ 1,079,577
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 66,451	\$ (153,573)	\$ 133,488	\$ 46,366
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:				
Depreciation	179,491	-	-	179,491
Change in operating assets and liabilities which provided (used) cash:				
Accounts receivable	-	(802)	(143)	(945)
Inventory	870	-	-	870
Accounts payable	2,555	(1,800)	17,836	18,591
Accrued liabilities	3,709	10,023	-	13,732
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 253,076	\$ (146,152)	\$ 151,181	\$ 258,105

During 2005 \$160,520 of capital assets were transferred from governmental activities to the motor pool internal service fund.

CITY OF BIG RAPIDS, MICHIGAN

FIDUCIARY FUNDS

DESCRIPTION OF FUNDS

AGENCY FUNDS

Current Tax Fund - This fund is used to record the receipt and transfers of property taxes collected by the City on behalf of the County and School Districts.

Payroll Fund - The Payroll Fund is an agency fund used to account for the transfers received from various contributing funds and to record the City's payroll. Payroll withholdings are also transferred to the appropriate government or other agencies.

CITY OF BIG RAPIDS
ALL AGENCY FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2005

	AGENCY FUNDS		
	CURRENT TAX FUND	PAYROLL FUND	TOTALS
<u>ASSETS</u>			
Cash and temporary investments	\$ 13,425	\$ 82,130	\$ 95,555
Accounts receivable	122,615	-	122,615
<u>TOTAL ASSETS</u>	<u>\$ 136,040</u>	<u>\$ 82,130</u>	<u>\$ 218,170</u>
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	\$ -	\$ 42,130	\$ 42,130
Due to other governmental units	136,040	-	136,040
Advances from other funds	-	40,000	40,000
<u>TOTAL LIABILITIES</u>	<u>\$ 136,040</u>	<u>\$ 82,130</u>	<u>\$ 218,170</u>

CITY OF BIG RAPIDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>Current Tax Fund</u>				
ASSETS				
Cash and temporary investments	\$ 4,434	\$ 17,190,324	\$ 17,181,333	\$ 13,425
Taxes receivable	133,424	5,932,480	5,943,289	122,615
TOTAL ASSETS	\$ 137,858	\$ 23,122,804	\$ 23,124,622	\$ 136,040
LIABILITIES				
Due to other governmental units	\$ 137,858	\$ 11,293,933	\$ 11,295,751	\$ 136,040
<u>Payroll Fund</u>				
ASSETS				
Cash and temporary investments	\$ 80,493	\$ 15,277,500	\$ 15,275,863	\$ 82,130
LIABILITIES				
Accounts payable	\$ 40,493	\$ 5,254,965	\$ 5,253,328	\$ 42,130
Advances from other funds	40,000	-	-	40,000
TOTAL LIABILITIES	\$ 80,493	\$ 5,254,965	\$ 5,253,328	\$ 82,130

(Continued)

CITY OF BIG RAPIDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>Total all Agency Funds</u>				
ASSETS				
Cash and temporary investments	\$ 84,927	\$ 32,467,824	\$ 32,457,196	\$ 95,555
Taxes receivable	133,424	5,932,480	5,943,289	122,615
TOTAL ASSETS	\$ 218,351	\$ 38,400,304	\$ 38,400,485	\$ 218,170
LIABILITIES				
Accounts payable	\$ 40,493	\$ 5,254,965	\$ 5,253,328	\$ 42,130
Due to other governments	137,858	11,293,933	11,295,751	136,040
Advances from other funds	40,000	-	-	40,000
TOTAL LIABILITIES	\$ 218,351	\$ 16,548,898	\$ 16,549,079	\$ 218,170

(Concluded)

CITY OF BIG RAPIDS
PENSION TRUST FUNDS
STATEMENT OF PLAN NET ASSETS

JUNE 30, 2005

<u>ASSETS</u>	<u>PENSION PLAN</u>
Cash and short-term investments	\$ 277,563
Investments	
Bonds	935,737
Preferred Stocks	2,666,402
Mutual Funds	1,079,524
TOTAL INVESTMENTS	4,681,663
<u>TOTAL ASSETS</u>	4,959,226
<u>LIABILITIES</u>	
Accounts payable	24,451
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 4,934,775

CITY OF BIG RAPIDS

BALANCE SHEET DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2005

ASSETS

ASSETS

Cash and temporary investments	\$ 120,347
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TOTAL ASSETS	<u>\$ 120,347</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 2,282
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TOTAL LIABILITIES	2,282
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FUND EQUITY

Fund balances:

Unreserved - undesignated	<u>118,065</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 120,347</u>
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CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2005

REVENUES	
Taxes	\$ 19,517
Interest	4,421
Contributions	<u>70,000</u>
TOTAL REVENUES	93,938
EXPENDITURES	
Current:	
Community service	<u>37,584</u>
NET CHANGES IN FUND BALANCES	56,354
FUND BALANCES, BEGINNING OF YEAR	<u>61,711</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 118,065</u></u>

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
PRIMARY GOVERNMENT DEBT							
<u>GENERAL OBLIGATION DEBT</u>							
Big Rapids Township Cemetery Contribution	11/01/92	\$ 315,000	N/A	11/01/05	\$ 15,000	\$ -	\$ 15,000
				11/01/06	15,000	-	15,000
				11/01/07	15,000	-	15,000
				11/01/08	15,000	-	15,000
				11/01/09	15,000	-	15,000
				11/01/10	15,000	-	15,000
				11/01/11	15,000	-	15,000
					105,000	-	105,000
2001 Unlimited Tax General Obligation Bonds	11/01/01	4,500,000	4.375%	08/01/05	-	92,969	92,969
				02/01/06	120,000	92,969	212,969
				08/01/06	-	90,344	90,344
				02/01/07	135,000	90,344	225,344
				08/01/07	-	87,391	87,391
				02/01/08	145,000	87,391	232,391
				08/01/08	-	84,219	84,219
				02/01/09	165,000	84,219	249,219
				08/01/09	-	80,609	80,609
				02/01/10	180,000	80,609	260,609
				08/01/10	-	76,672	76,672
				02/01/11	200,000	76,672	276,672
				08/01/11	-	72,297	72,297
				02/01/12	220,000	72,297	292,297
				08/01/12	-	67,484	67,484
				02/01/13	240,000	67,484	307,484
				08/01/13	-	62,234	62,234
				02/01/14	260,000	62,234	322,234
				08/01/14	-	56,547	56,547
				02/01/15	285,000	56,547	341,547
				08/01/15	-	50,312	50,312
				02/01/16	310,000	50,312	360,312
				08/01/16	-	43,531	43,531
				02/01/17	335,000	43,531	378,531
				08/01/17	-	36,203	36,203
				02/01/18	365,000	36,203	401,203
				08/01/18	-	28,219	28,219
				02/01/19	395,000	28,219	423,219
				08/01/19	-	19,578	19,578
				02/01/20	430,000	19,578	449,578
				08/01/20	-	10,172	10,172
				02/01/21	465,000	10,172	475,172
					4,250,000	1,917,562	6,167,562
Accrued Employee Benefits					249,142	-	249,142
TOTAL GENERAL OBLIGATION DEBT					4,604,142	1,917,562	6,521,704

(Continued)

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS (CONTINUED)
JUNE 30, 2005

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
ENTERPRISE FUNDS							
1993 Wastewater Treatment System Revenue Bonds	10/01/93	\$2,000,000	5%	09/01/05	\$ 120,000	\$ 27,121	\$ 147,121
				03/01/06	-	24,197	24,197
				09/01/06	125,000	24,197	149,197
				03/01/07	-	21,071	21,071
				09/01/07	135,000	21,071	156,071
				03/01/08	-	17,613	17,613
				09/01/08	140,000	17,613	157,613
				03/01/09	-	13,938	13,938
				09/01/09	150,000	13,938	163,938
				03/01/10	-	10,000	10,000
				09/01/10	160,000	10,000	170,000
				03/01/11	-	6,800	6,800
				09/01/11	165,000	6,800	171,800
				03/01/12	-	3,500	3,500
				09/01/12	175,000	3,500	178,500
					1,170,000	221,359	1,391,359
1995 Water Supply System Revenue Bonds	12/01/95	\$1,360,000	4.5 - 5.25%	10/01/05	60,000	24,195	84,195
				04/01/06	-	22,755	22,755
				10/01/06	65,000	22,755	87,755
				04/01/07	-	21,146	21,146
				10/01/07	70,000	21,146	91,146
				04/01/08	-	19,361	19,361
				10/01/08	75,000	19,361	94,361
				04/01/09	-	17,430	17,430
				10/01/09	75,000	17,430	92,430
				04/01/10	-	15,480	15,480
				10/01/10	80,000	15,480	95,480
				04/01/11	-	13,380	13,380
				10/01/11	85,000	13,380	98,380
				04/01/12	-	11,128	11,128
				10/01/12	95,000	11,128	106,128
				04/01/13	-	8,586	8,586
				10/01/13	100,000	8,586	108,586
				04/01/14	-	5,886	5,886
				10/01/14	105,000	5,886	110,886
				04/01/15	-	3,025	3,025
				10/01/15	110,000	3,026	113,026
					920,000	300,550	1,220,550
1999 Water Supply System Revenue Bonds	12/1/1999	\$2,820,000	4.30-5.40%	10/01/05	105,000	63,371	168,371
				04/01/06	-	60,549	60,549
				10/01/06	110,000	60,549	170,549
				04/01/07	-	57,593	57,593
				10/01/07	115,000	57,593	172,593
				04/01/08	-	54,502	54,502
				10/01/08	125,000	54,502	179,502
				04/01/09	-	51,143	51,143
				10/01/09	130,000	51,143	181,143
				04/01/10	-	47,649	47,649
				10/01/10	135,000	47,649	182,649
				04/01/11	-	44,021	44,021
				10/01/11	145,000	44,021	189,021
				04/01/12	-	40,124	40,124
				10/01/12	150,000	40,124	190,124
				04/01/13	-	36,093	36,093

(Continued)

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS (CONCLUDED)
JUNE 30, 2005

<u>ENTERPRISE FUNDS (CONTINUED)</u>	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
				10/01/013	\$ 160,000	\$ 36,093	\$ 196,093
				04/01/14	-	31,793	31,793
				10/01/14	170,000	31,793	201,793
				04/01/15	-	27,224	27,224
				10/01/15	180,000	27,224	207,224
				04/01/16	-	22,386	22,386
				10/01/16	190,000	22,386	212,386
				04/01/17	-	17,280	17,280
				10/01/17	200,000	17,280	217,280
				04/01/18	-	11,880	11,880
				10/01/18	215,000	11,880	226,880
				04/01/19	-	6,075	6,075
				10/01/19	225,000	6,075	231,075
					2,355,000	1,079,995	3,434,995
TOTAL ENTERPRISE FUNDS					4,445,000	1,601,904	6,046,904
TOTAL LONG-TERM DEBT-PRIMARY GOVERNMENT					9,049,142	3,519,466	12,568,608
TOTAL LONG-TERM DEBT - REPORTING ENTITY					\$ 9,049,142	\$ 3,519,466	\$ 12,568,608

(Concluded)

CITY OF BIG RAPIDS, MICHIGAN

REVENUE BY SOURCE IN GENERAL FUND

1996 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Taxes	Licenses and Permits	Fines and Forfeits	Inter- Governmental Revenue	Federal Grants	Charges For Services	Interest Earned	Other Revenues	Total
1996	\$ 2,447,859	\$ 61,821	\$ 112,553	\$ 1,529,205	\$ 23,454	\$ 167,411	\$ 41,776	\$ 127,258	\$ 4,511,337
1997	2,542,855	36,633	102,508	1,624,404	20,169	154,615	99,847	122,404	4,703,435
1998	2,889,735	35,411	100,450	1,743,909	22,189	145,515	55,187	184,975	5,177,371
1999	2,981,507	36,917	105,223	1,782,451	42,455	154,613	83,887	159,398	5,346,451
2000	3,199,298	38,406	123,906	2,067,290	39,307	155,604	150,384	141,775	5,915,970
2001	3,466,485	36,127	142,757	2,162,038	4,752	152,207	74,185	92,003	6,130,554
2002	3,597,269	41,320	130,193	2,337,402	20,589	155,781	66,333	50,544	6,399,431
2003	3,932,094	48,168	107,971	2,127,401	375,271	164,530	50,052	54,453	6,859,940
2004	4,018,233	24,065	108,317	1,628,813	185,385	211,841	38,188	61,321	6,276,163
2005	3,263,820	21,658	139,813	1,651,748	81,824	198,108	91,651	87,927	5,536,549

Transfers from other funds are not included above.

NOTE: Airport Operations and the Community Pool Operations were moved from the General Fund to the Special Revenue Fund type for the year ended 2000.

CITY OF BIG RAPIDS, MICHIGAN

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION IN GENERAL FUND

1996 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Legislative	General Government	Public Safety	Public Works	Airport and Economic Development	Culture and Recreation	Other Functions	Total
1996	\$ 144,890	\$1,273,127	\$ 1,899,998	\$ 762,678	\$ 69,121	\$ 283,199	\$ 36,927	\$ 4,469,940
1997	129,799	1,276,111	2,091,102	741,165	143,698	409,411	8,420	4,799,706
1998	80,711	1,626,747	1,928,595	814,685	139,668	259,561	-	4,849,967
1999	81,295	1,464,604	2,152,535	769,730	99,885	527,916	20,420	5,116,385
2000	118,371	1,642,551	1,998,348	568,490	-	436,563	40,840	4,805,163
2001	84,150	1,826,723	2,128,910	697,930	-	568,662	40,840	5,347,215
2002	83,238	1,692,311	2,190,678	1,321,636	-	315,082	40,840	5,643,785
2003	78,207	1,652,650	2,484,996	1,770,254	-	283,712	321,543	6,591,362
2004	77,192	1,835,316	2,709,914	1,364,553	-	351,336	330,746	6,669,057
2005	119,650	1,943,525	2,709,594	875,501	-	283,908	320,957	6,253,135

NOTE: Transfers to other funds are not included above.

Airport Operations and the Community Pool Operations were moved from the General Fund to the Special Revenue Fund type for the year ended 2000.

CITY OF BIG RAPIDS, MICHIGAN

STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

1996 THROUGH 2005

(UNAUDITED)

Fiscal Year Ending	Real Property		Personal Property		Total	Ratio of Totals State Equalized Value to Estimated Actual Value
	*State Equalized Value	Estimated Actual Value	*State Equalized Value	Estimated Actual Value		
1996	\$ 83,062,100	\$ 166,124,200	\$ 21,029,200	\$ 42,058,400	\$ 208,182,600	50.0 %
1997	90,335,700	180,671,400	21,462,800	42,925,600	223,597,000	50.0
1998	93,224,500	186,449,000	21,998,100	43,996,200	230,445,200	50.0
1999	96,396,400	192,792,800	23,801,800	47,603,600	240,396,400	50.0
2000	101,428,100	202,856,200	24,637,300	49,294,600	252,130,800	50.0
2001	107,097,950	214,195,900	25,088,400	50,176,800	264,372,700	50.0
2002	118,576,400	237,152,800	25,952,400	51,904,800	289,057,600	50.0
2003	124,287,800	248,575,600	26,596,100	53,192,200	301,767,800	50.0
2004	136,268,000	272,536,000	27,880,500	55,761,000	328,297,000	50.0
2005	140,794,800	281,589,600	30,215,600	60,431,200	342,020,800	50.0

Fiscal Year Ending	Taxable Value	Tax Rate (Mills)		Tax Levy		Ratio of Totals State Equalized Value to Income Tax
		City Operations	City Debt	City Operations	City Debt	
1996	\$ 104,091,300	10.9059	1.4464	\$ 1,135,209	\$ 150,558	11.98 %
1997	107,813,649	10.9513	1.4010	1,180,700	151,047	11.26
1998	112,079,112	11.1592	1.1931	1,250,713	133,722	12.78
1999	116,787,018	11.1170	1.2353	1,298,321	144,267	12.09
2000	120,649,754	11.2624	1.0899	1,358,806	131,496	12.58
2001	125,745,829	11.1616	1.1907	1,403,524	149,725	13.86
2002	132,105,632	11.1959	1.1564	1,479,041	152,766	12.75
2003	137,038,430	13.3314	0.9838	1,826,914	134,818	12.17
2004	144,520,182	13.4555	0.7775	1,944,591	112,364	11.05
2005	150,882,610	14.2303	0.4959	2,147,104	74,822	9.61

* Does not include equivalent State Equalized Value, created per P.A. 198 of 1974.

CITY OF BIG RAPIDS, MICHIGAN

BREAKDOWN OF 2004 STATE EQUALIZED VALUATION BY CLASS OF PROPERTY

(2004 ASSESSMENT ROLL)

(UNAUDITED)

<u>Class of Property</u>	<u>Equalized Value</u>	<u>Percent of Total</u>
Agriculture	\$ 130,100	0.07 %
Commercial	60,898,800	35.61
Industrial	10,065,800	5.89
Residential	69,700,100	40.76
Personal	30,215,600	17.67
 Total	 \$171,010,400	 100.00 %

TEN LARGEST TAXPAYERS PER 2004 STATE EQUALIZED VALUATION (SEV)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>SEV (Ad Valorem)</u>	<u>Equivalent SEV (Specific Acts)</u>
Haworth, Inc.	Manufacturing	\$ 6,196,000	\$13,967,500
Federal Screw Works	Manufacturing	8,775,200	3,939,000
Agree Limited Partnership	Real Estate Developer	5,919,800	-
Mark IV Automotive	Manufacturing	3,307,500	62,300
Big Rapids Products, Inc.	Manufacturing	2,160,000	888,700
CBL and Associates	Real Estate Developer	2,695,200	-
Mecosta County General Hospital	Hospital	2,406,200	-
Consumers Power Company	Utility	2,212,300	-
Mich Consolidated Gas Co.	Utility	2,098,500	-
Simonds Industries, Inc.	Manufacturing	1,973,300	-
 Ten Largest Taxpayers		 37,744,000	 18,857,500
 Other Taxpayers		 133,266,400	 842,200
 Total State Equalized Valuation		 \$171,010,400	 \$19,699,700

* Does not include Equivalent State Equalized Value (EQSEV), created per P.A. 198 of 1974.

CITY OF BIG RAPIDS, MICHIGAN
PROPERTY TAX LEVIES AND COLLECTIONS

1995 THROUGH 2004

(UNAUDITED)

Year Ended June 30,	Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections Total Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1995	06/30/96	\$1,312,932	\$1,223,333	93.2 %	\$ 86,589	\$1,309,922	99.77 %	\$ 3,010	0.23 %
1996	06/30/97	1,341,440	1,267,893	94.5	69,692	1,337,585	99.71	3,855	0.29
1997	06/30/98	1,509,864	1,439,761	95.4	66,128	1,505,889	99.73	3,975	0.27
1998	06/30/99	1,593,744	1,532,548	96.1	58,482	1,591,030	99.83	2,714	0.17
1999	06/30/00	1,659,883	1,569,973	94.6	87,429	1,657,402	99.85	2,481	0.14
2000	06/30/01	1,712,334	1,646,234	96.1	60,276	1,706,510	99.66	5,824	0.34
2001	06/30/02	1,785,785	1,726,354	96.7	54,013	1,780,367	99.70	5,418	0.30
2002	06/30/03	2,129,954	2,062,507	96.8	55,306	2,117,813	99.43	12,141	0.57
2003 *	06/30/04	2,197,960	2,138,178	97.3	54,796	2,192,974	99.77	4,986	0.23
2004 *	06/30/05	2,276,744	2,175,948	95.6	94,966	2,270,914	99.74	5,830	0.26

These figures do not include the DDA or TIFA Assessments

* Includes levy for Public Safety Building

CITY OF BIG RAPIDS, MICHIGAN

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF TAXABLE VALUE)

1995 THROUGH 2004

(UNAUDITED)

Year of Levy	General	Debt Service	Component Units (DDA ONLY)	Total	Non Homestead School	Homestead School	State Education Tax	Intermediate School District/ County		Total
1995 Homestead	10.9059	1.4464	2.0000	14.3523		7.0000	6.0000	11.6497		39.0020
Non Homestead	10.9059	1.4464	2.0000	14.3523	25.0000		6.0000	11.6497		57.0020
1996 Homestead	10.9513	1.4010	2.0000	14.3523		7.0000	6.0000	11.6455		38.9978
Non Homestead	10.9513	1.4010	2.0000	14.3523	25.0000		6.0000	11.6455		56.9978
1997 Homestead	11.1592	1.1931	2.0000	14.3523		7.0000	6.0000	11.3955		38.7478
Non Homestead	11.1592	1.1931	2.0000	14.3523	25.0000		6.0000	11.3955		56.7478
1998 Homestead	11.1170	1.2353	2.0000	14.3523		7.0000	6.0000	11.3075		38.6598
Non Homestead	11.1170	1.2353	2.0000	14.3523	25.0000		6.0000	11.3075		56.6598
1999 Homestead	11.2624	1.0899	2.0000	14.3523		7.0000	6.0000	11.2657		38.6180
Non Homestead	11.2624	1.0899	2.0000	14.3523	25.0000		6.0000	11.2657		56.6180
2000 Homestead	11.1616	1.1907	2.0000	14.3523		7.0000	6.0000	11.2657		38.6180
Non Homestead	11.1616	1.1907	2.0000	14.3523	25.0000		6.0000	11.2657		56.6180
2001 Homestead	11.1959	1.1564	2.0000	14.3523		7.0000	6.0000	11.1113		38.4636
Non Homestead	11.1959	1.1564	2.0000	14.3523	24.8524		6.0000	11.1113		56.3160
2002 Homestead	13.3314	0.9838	2.0000	16.3152		7.0000	6.0000	11.0537		40.3689
Non Homestead	13.3314	0.9838	2.0000	16.3152	25.0000		6.0000	11.0537		58.3689
2003 Homestead	13.4555	0.7775	2.0000	16.2330		7.0000	6.0000	11.4433		40.6763
Non Homestead	13.4555	0.7775	2.0000	16.2330	25.0000		6.0000	11.4433		58.6763
2004 Homestead	13.7344	0.4959	2.0000	16.2303		7.0000	6.0000	11.4748		40.7051
Non Homestead	13.7344	0.4959	2.0000	16.2303	25.0000		6.0000	11.4748		58.7051

CITY OF BIG RAPIDS, MICHIGAN

RATIO OF GENERAL BONDED DEBT TO STATE EQUALIZED VALUE (SEV) AND BONDED DEBT SERVICES PER CAPITA

1996 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Estimated Population	State Equalized Valuation	General Obligation Bonds	Less Available Debt Service Funds	Net Bonded Debt	Ratio of Net Debt to SEV	Net Bonded Debt Per Capita
1996	12,578	\$104,091,300	\$ 1,785,000	\$ 53,717	\$ 1,731,283	1.7	\$ 138
1997	12,578	111,798,500	1,600,000	54,717	1,545,283	1.4	123
1998	12,578	115,222,600	1,415,000	54,826	1,360,174	1.2	108
1999	12,578	120,198,200	1,220,000	58,263	1,161,737	1.0	92
2000	10,610	126,065,400	1,030,000	61,550	968,450	0.8	91
2001	10,849	132,186,350	825,000	63,203	761,797	0.6	70
2002	10,849	144,528,000	5,105,000	61,576	5,043,424	3.5	465
2003	10,849	150,883,900	4,850,000	64,673	4,785,327	3.2	441
2004	10,849	164,148,500	4,560,000	68,512	4,491,488	2.7	414
2005	10,849	171,010,400	4,250,000	-	4,250,000	2.5	392

General Obligation Bonds in this table represent only those bonds serviced from property tax revenues.

CITY OF BIG RAPIDS, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

1996 THROUGH 2005

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
1996	\$ 170,000	\$ 108,153	\$ 278,153	\$ 4,469,940	1 to 16.07
1997	185,000	99,270	284,270	4,799,706	1 to 16.88
1998	185,000	89,650	274,650	4,849,967	1 to 17.66
1999	195,000	79,885	274,885	5,116,385	1 to 18.61
2000	190,000	69,060	259,060	4,805,159	1 to 18.55
2001	205,000	57,050	262,050	5,347,215	1 to 20.41
2002	220,000	44,403	264,403	5,643,785	1 to 21.34
2003	255,000	277,439	532,439	6,591,362	1 to 12.38
2004	290,000	213,700	503,700	6,669,057	1 to 13.24
2005	310,000	197,100	507,100	6,253,135	1 to 12.33

CITY OF BIG RAPIDS, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2005

(UNAUDITED)

Name of Governmental Unit	Bonds Outstanding	Balances on Hand	Net Debt Outstanding	Percentage Applicable to City	City's Share of Debt
City of Big Rapids					
Direct Debt					
General Obligation Bonds	\$4,250,000	\$ -	\$ 4,250,000	100.00 %	\$ 4,250,000
Overlapping Debt					
Big Rapids Public Schools	26,687,666	-	26,687,666	42.62 %	11,374,283
Mecosta County	12,715,000	-	12,715,000	15.06	1,914,879
Mecosta Osceola Intermediate School District	50,000	-	50,000	9.60	4,800
Total Direct and Overlapping Debt					<u>\$ 17,543,962</u>

COMPUTATION OF LEGAL DEBT MARGIN FOR GENERAL OBLIGATION BONDS

JUNE 30, 2005

(UNAUDITED)

State Equalized Valuation	<u>\$171,010,400</u>
Debt Limit - 10% of State Equalized Value	\$ 17,101,040
Amount of Debt Applicable to Limit	\$4,250,000
Less: Assets Availabe for Debt Service	<u>-</u>
Net General Obligation Debt Subject to Limitation	<u>4,250,000</u>
Legal Debt Margin	<u>\$ 12,851,040</u>

CITY OF BIG RAPIDS, MICHIGAN

REVENUE BOND COVERAGE

1996 THROUGH 2005

(UNAUDITED)

	Year Ended June 30,	Revenue and Other Sources	Expenses and Other Uses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
Wastewater Treatment System Bonds								
(Serviced by Wastewater Treatment Fund)	1996	\$ 1,231,722	\$ 843,251	\$ 388,471	\$ 40,000	\$ 143,372	\$ 183,372	2.1
	1997	1,252,557	1,022,985	229,572	115,000	137,662	252,662	0.9
	1998	1,255,362	973,965	281,397	130,000	128,888	258,888	1.1
	1999	1,329,146	1,002,242	326,904	135,000	119,613	254,613	1.3
	2000	1,413,839	1,348,691	85,148	135,000	110,163	245,163	0.3
	2001	1,472,251	1,076,518	395,733	165,000	121,352	286,352	1.4
	2002	1,536,602	1,118,754	417,848	170,000	87,737	257,737	1.6
	2003	1,566,339	1,276,335	290,004	175,000	74,654	249,654	1.2
	2004	1,607,495	1,388,537	218,958	180,000	66,042	246,042	0.9
	2005	1,761,291	1,246,199	515,092	115,000	57,441	172,441	3.0
Water Supply System Bonds								
(Service by Water Fund)	1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	1997	1,413,997	1,093,710	320,287	40,000	66,600	106,600	3.0
	1998	1,537,195	1,296,633	240,562	100,000	66,183	166,183	0.7
	1999	1,625,842	1,260,272	365,570	105,000	67,991	172,991	2.1
	2000	1,959,777	1,561,927	397,850	105,000	63,126	168,126	2.4
	2001	1,704,307	1,280,971	423,336	135,000	248,842	383,842	1.1
	2002	1,699,239	1,237,797	461,442	140,000	204,217	344,217	1.3
	2003	1,722,679	1,390,479	332,200	150,000	192,510	342,510	1.0
	2004	1,739,421	1,268,087	471,334	150,000	189,023	339,023	1.4
	2005	1,853,914	1,340,055	513,859	160,000	180,910	340,910	1.5

Revenue and Other Sources includes interest, insurance refunds and miscellaneous. Expenditures and Other Uses includes paying agent fees.

CITY OF BIG RAPIDS, MICHIGAN
REAL PROPERTY VALUE AND CONSTRUCTION
1995 THROUGH 2004
(UNAUDITED)

Year	Commercial Construction		Residential Construction		Industrial Construction		Municipal Non-Profit	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1995	18	\$ 1,341,000	29	\$ 359,000	9	\$ 8,666,497	-	\$ -
1996	10	1,482,500	46	2,178,850	4	495,000	3	239,000
1997	22	1,544,000	47	634,950	7	1,789,000	2	136,000
1998	20	4,616,950	69	588,850	2	145,000	1	4,500
1999	13	1,217,000	40	341,000	6	802,000	-	-
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	10	4,194,000	70	1,624,318	1	32,000	3	180,000
2002	13	1,193,010	64	791,510	N/A	N/A	8	6,214,000

Building permits were turned over to the County as of fiscal year 2003

This information has been compiled on a calendar year basis. The source of information was the Michigan Department of Commerce and Information maintained through City records.

Assessed Property Value						
Year	Agriculture	Commercial	Residential	Industrial	Exemptions*	Total
1995	\$ -	\$ 34,629,700	\$ 42,827,000	\$ 5,605,400	\$ 126,000,000	\$ 209,062,100
1996	7,200	37,637,300	46,540,300	6,150,900	129,500,000	219,835,700
1997	112,300	40,295,700	46,448,300	6,368,200	138,200,000	226,874,500
1998	112,300	40,517,600	48,671,600	7,094,900	138,200,000	234,596,400
1999	112,300	42,315,000	51,271,000	7,729,800	145,400,000	246,828,100
2000	130,100	44,979,150	53,998,600	7,990,100	145,400,000	252,497,950
2001	130,100	52,078,800	57,609,000	8,758,500	145,400,000	263,976,400
2002	130,100	53,736,000	61,907,700	8,514,000	147,580,000	271,867,800
2003	130,100	60,290,600	65,870,200	9,977,100	149,800,000	286,068,000
2004	130,100	60,898,800	69,700,100	10,065,800	133,909,360	294,704,160

Estimated (45% of true cash value)

CITY OF BIG RAPIDS, MICHIGAN

DEMOGRAPHIC STATISTICS

1996 THROUGH 2005

(UNAUDITED)

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Enrollment</u>	<u>Unemployment Rate</u>
1996	12,578	N/A	2,653	5.2
1997	12,578	N/A	2,691	4.3
1998	12,578	N/A	2,654	4.2
1999	12,578	N/A	2,983	5.2
2000	12,578	N/A	3,005	4.2
2001	10,849	N/A	2,992	5.2
2002	10,849	N/A	3,005	5.3
2003	10,849	N/A	2,982	6.1
2004	10,849	N/A	3,014	6.1
2005	10,849	N/A	2,936	7.1

N/A - Not available at the time the Comprehensive Annual Financial Report was published.

This information was obtained from Sealed Analysis Research Unit.

CITY OF BIG RAPIDS, MICHIGAN

MISCELLANEOUS STATISTICAL DATA

JUNE 30, 2005

(UNAUDITED)

Water Utility:	Number of Billed Water Accounts – 2,245 Average Daily Flow– 1.14 Million Gallons Total Water Distributed – 2004 418.6 Million Gallons
Wastewater Treatment:	Number of Wastewater Accounts –2,505 Average Daily Flow – 1.16 Million Gallons Total Flow During Calendar Year 2004 423.4 Million Gallons
Number of Street Lights:	449
Number of Employees	Full Time – 85 as of 6/30/05
Elections:	Number of Registered Voters – 4,920
Population:	Residents 1960 – 8,686 1970 – 11,995 1980 – 14,361 1990 – 12,578 2000 – 10,849 2005 – 10,849 2005 – 10,849 Students Attending Ferris State University: Fall 1950 – 983 Fall 1960 – 3,250 Fall 1970 – 9,063 Fall 1980 – 11,112 Fall 1990 – 12,076 Fall 2000 – 9,847 Fall 2001 – 10,930 Fall 2002 – 11,074 Fall 2003 – 11,822 Fall 2004 – 11,803
Date of Incorporation	1869
Form of Government	Commission – Manager
Area of City	4.43 Square Miles
Miles of Streets:	Trunklines - 5.52 paved Major - 14.50 paved Local - 20.80 paved Local - 1.62 unpaved

(Continued)

CITY OF BIG RAPIDS, MICHIGAN

MISCELLANEOUS STATISTICAL DATA (CONTINUED)

JUNE 30, 2005

(UNAUDITED)

PUBLIC SAFETY

Fire Protection:

Number of Stations – 1

Number of Employees

- 8 Full Time
- 1 Director
- 1 Deputy Director
- 18 Part Paid

Pieces of Equipment

- 2 Pumpers
- 1 Aerial Platform
- 1 Tender
- 1 Jeep
- 1 Pickup Water
- 1 Pumper Tender
- 1 Rescue Truck
- 1 Rescue Boat
- 1 WMD Pickup

Police Protection

Number of Employees

- 16 Full Time
- 1 Deputy Director
- 1 Administrative Secretary
- 1 Part Time Secretary
- 1 Temporary Full Time Drug Unit
- 6 Part Time Students

Vehicular Patrol Units – 5

Other Vehicular Units – 2

Motorcycle - - 2

Neighborhood Services

Number of Employees – 3 full time

– 1 part time

Vehicles – 1

RECREATION

Acres of Parkland – 245

Number of Picnic Area – 10

Cross County Ski Trails – 1

Swimming Pool – 1

Ball Fields – 6

Soccer Fields – 2

Picnic Shelters – 4

Play Structures – 3

Walking Trails

(Continued)

CITY OF BIG RAPIDS, MICHIGAN
MISCELLANEOUS STATISTICAL DATA (CONTINUED)

JUNE 30, 2005

(UNAUDITED)

EDUCATION

Number of Students:

Kindergarten – Grade 5	–	881
Grade 6 – 12	–	1,098
Special Education	–	71
High School Completion	–	66
Private School	–	<u>820</u>
		<u>2,936</u>

Number of Schools:

High School	–	1
Middle School	–	1
Elementary Schools	–	4
Private Schools	–	2
Charter School	–	1

(Continued)

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2005

(UNAUDITED)

Insurance Company	Policy Number	Policy Period From - To	Coverage	
Michigan Municipal Liability and Property Pool	MML001357700	7/1/04 6/30/05	Property Building and Personal Property	\$40,399,886
			General Liability	
			Comprehensive General Liability	5,000,000
			Bodily Injury:	5,000,000
			Property Damage:	5,000,000
			Medical (Per occurrence limit):	5,000,000
			Other	
			Boiler and Machinery Liability (per accident):	5,000,000
			Inland Marine Liability:	
			1) Contractors Equipment	664,500
			2) Miscellaneous Equipment	175,600
			3) Electronic Equipment	295,000
			Extra Expense:	
			Money and Securities:	100,000
			Extended Business Liability (included in limit):	100,000
			Auto	
			Bodily Injury:	5,000,000
			Property Damage:	Actual Cash Value
			Public Officials Errors and Omissions (per occurrence):	5,000,000
			Police Professional (included in limit):	5,000,000

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE (CONTINUED)

JUNE 30, 2005

(UNAUDITED)

Insurance Company	Policy Number	Policy Period From – To		
Michigan Municipal Liability and Property Pool	MML001357700	7/1/04 – 6/30/05	Commercial Umbrella (included in limit)	\$5,000,000
			Crime Insurance	
			Money and Securities	100,000
			City Treasurer/Assessor	Blanket – 100,000 per occurrence
			Assistant City Treasurer/Assessor	Blanket –100,000 per occurrence
Larry L. Johns & Assoc., Inc.	PR67304	7/1/04 – 6/30/05	All Other Employees	Blanket –100,000 per occurrence
			Products – Completed Operations	1,000,000
			Personal Injury and Advertising	20,000,000
			Malpractice Aggregate Limit	20,000,000
			Each Occurrence Limit	20,000,000
			Fire Damage Limit Any One Fire	50,000
			Medical Expense Limit Any One Person	1,000
			Hangarkeepers Limit Any One Aircraft	50,000
			Hangarkeepers Limit Any One Occurrence	500,000
			Airport	
			Liability, personal injury, malpractice	10,000,000

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE (CONTINUED)

JUNE 30, 2005

(UNAUDITED)

Insurance Company	Policy Number	Policy Period From - To	
Meadowbrook Ins.	Michigan Municipal League Insurance Policy	7/1/04 - 6/30/05	Worker's Compensation Statutory \$500,000
Self Insured PPO	17663	6/30/05	Non-Bargaining - Master Medical/\$10/\$20 drug co-pay AFSCME - Master Medical/\$10/\$20 drug co-pay Police - Master Medical/\$10/\$20 drug co-pay Fire - Master Medical/\$10/\$20 drug co-pay Retiree - Hospital Only Retiree - Master Medical/25%/\$20min/\$50max drug co-pay Employee/Retiree Paid Dental & Vision
Third Party Administration Blue Cross/Blue Shield			
Madison National Life Insurance Company	30-0001260-00000	7/1/04 - 6/30/05	Life Class 1 10,000 3 25,000 2 10,000 4 25,000 AD&D Class 1 20,000 3 50,000 2 20,000 4 50,000 Long-Term Disability - Police, Fire, and Non-Bargaining 65% of normal gross weekly wage payable from 90 th day of disability through age 65. Maximum monthly benefit \$2,166.
Self-Insured		7/1/04 - 6/30/05	Short Term Disability (52 weeks) Class 1 Maximum ½ of regular salary Class 2 Maximum ½ of regular salary Class 3 and 4 None

**CONTINUING DISCLOSURE UNDERTAKING
FOR THE
FISCAL YEAR END JUNE 30, 2005**

**CITY OF BIG RAPIDS
COUNTY OF MECOSTA, STATE OF MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 1995**

A. Number of Customers (4)

<u>Type of User</u>	<u>2005 (5)</u>	<u>2004 (4)</u>	<u>2003 (3)</u>	<u>2002 (2)</u>	<u>2001 (1)</u>
Residential	1,625	1,619	1,615	1,621	1,607
Commercial	359	343	341	346	336
Institutional	242	234	237	234	234
Industrial	19	21	21	24	27
Total	<u>2,245</u>	<u>2,217</u>	<u>2,214</u>	<u>2,225</u>	<u>2,204</u>

(1) Calendar Year Ended December 31, 2000

(2) Calendar Year Ended December 31, 2001

(3) Calendar Year Ended December 31, 2002

(4) Calendar Year Ended December 31, 2003

(5) Calendar Year Ended December 31, 2004

SOURCE: City of Big Rapids

B. Water Consumption By Category (1,000 Gallons) (1)

<u>Type of User</u>	<u>2005 (5)</u>	<u>2004 (4)</u>	<u>2003 (3)</u>	<u>2002 (2)</u>	<u>2001 (1)</u>
Residential, Commercial					
Industrial	211,757	215,253	219,957	211,744	232,753
Government/ Institutional	<u>162,158</u>	<u>154,588</u>	<u>162,507</u>	<u>157,583</u>	<u>160,302</u>
Total	<u>373,915</u>	<u>369,841</u>	<u>382,464</u>	<u>369,327</u>	<u>393,055</u>

(1) Calendar Year Ended December 31, 2000

(2) Calendar Year Ended December 31, 2001

(3) Calendar Year Ended December 31, 2002

(4) Calendar Year Ended December 31, 2003

(5) Calendar Year Ended December 31, 2004

SOURCE: City of Big Rapids

C. Percent of Water Consumption By Category

<u>Type of User</u>	<u>2005 (5)</u>	<u>2004 (4)</u>	<u>2003 (3)</u>	<u>2002 (2)</u>	<u>2001 (1)</u>
Residential	25%	26%	26%	25%	25%
Government/ Institutional	43	42	42	43	41
Commercial/ Industrial	32	32	32	32	34
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Calendar Year Ended December 31, 2000

(2) Calendar Year Ended December 31, 2001

(3) Calendar Year Ended December 31, 2002

(4) Calendar Year Ended December 31, 2003

(5) Calendar Year Ended December 31, 2004

SOURCE: City of Big Rapids

D.

WATER SUPPLY SYSTEM FUND
Historical Net Earnings and Cash Flow
(Fiscal Year Ended June 30)

	2005	2004	2003	2002	2001
Operating Revenue	\$1,817,214	\$1,742,675	\$1,704,327	\$1,637,475	\$1,645,955
Operating Expense	<u>1,340,055</u>	<u>1,268,087</u>	<u>1,390,479</u>	<u>1,237,797</u>	<u>1,280,971</u>
Operating Income	477,159	479,588	313,848	399,678	364,984
Interest Revenue	36,700	(3,254)	14,190	32,846	58,352
Interest Expense (1)	(180,910)	(189,023)	(196,337)	(204,217)	(248,842)
Intergovernmental					
Revenue - State	<u>273,900</u>	<u>-</u>	<u>4,162</u>	<u>28,918</u>	<u>-</u>
Net Income	129,690	282,311	135,863	257,225	174,494
Plus: Depreciation	334,489	329,346	318,191	315,966	276,561
Plus: Interest Expense	<u>180,910</u>	<u>189,023</u>	<u>196,337</u>	<u>204,217</u>	<u>248,842</u>
Cash Available for					
Debt Service	<u>\$645,089</u>	<u>\$800,680</u>	<u>\$ 650,391</u>	<u>\$ 777,408</u>	<u>\$ 699,897</u>
Maximum Annual					
Debt Service					
Requirements (2)	\$344,752	\$344,752	\$344,752	\$344,752	\$344,752
Coverage Ratio	1.87	2.32	1.89	2.25	2.03

(1) Interest expense on all bonds being paid by the system revenues.

(2) Maximum annual debt service on the System Bonds.

E. Water Usage And Revenue - Ten Largest Customers

Customer	Usage (1,000 Gallons)		Revenues	
	Usage	% of Total(1)	Amount	% of Total(1)
Ferris State University	115,214	30.8	\$670,606	39.8
Mecosta County Medical Center	12,718	3.4	67,566	4.0
Big Rapids Housing Commission	12,417	3.3	68,454	4.1
Haworth	9,474	2.5	41,315	2.5
Gordon Management	6,249	1.7	27,020	1.6
Jennings Mobile Home	6,201	1.7	24,869	1.5
Altercare	5,752	1.5	26,555	1.6
Big Rapids Public Schools	5,139	1.4	34,959	2.1
Meijer	4,594	1.2	22,269	1.3
Greenridge	<u>3,985</u>	<u>1.1</u>	<u>15,881</u>	<u>0.9</u>
	<u>181,743</u>	<u>48.6</u>	<u>\$999,494</u>	<u>59.4</u>

(1) Based upon total of 2005 usage of 373,915 gallons and revenues of \$1,685,870.

SOURCE: City of Big Rapids

F. Water Pumped vs. Water Sold (1)

The following table represents five-year history of the number of gallons of water pumped vs. the number of gallons of water sold.

<u>Fiscal/Calendar Year</u>	<u>Gallons Pumped(1)</u>	<u>Gallons Sold(1)</u>
2000 - 2001	451.9	393.0
2001 - 2002	437.6	369.3
2002 - 2003	437.6	382.4
2003 - 2004	441.6	369.8
2004 - 2005	418.6	373.9

(1) In millions of gallons

SOURCE: City of Big Rapids

G. Water Rates (As of December 31, 2004)

The City has implemented the following rates. The consumption charge is \$3.29 per 1,000 gallons in excess of minimum usage. The base charge per month, based on the meter size, is as follows:

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Monthly Charge for Water</u>
5/8"	1,000	\$ 5.22
1"	13,000	58.50
1.5"	33,000	140.90
2"	70,000	290.88
3"	120,000	497.88
4"	240,000	982.73

SOURCE: City of Big Rapids

Institutional Rates (As of December 31, 2004)

The City charges the institutional rate to water customers that do not pay property taxes. The consumption charge is \$3.98 per 1,000 gallons in excess of minimum based on meter size is as follows:

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Monthly Charge for Water</u>
5/8"	1,000	\$ 5.57
1"	13,000	63.05
1.5"	33,000	152.45
2"	70,000	315.38
3"	120,000	539.82
4"	240,000	1,066.73

(1) Includes Ferris State University and tax-exempt entities.

SOURCE: City of Big Rapids

H.**PROPERTY TAX RATES FIVE - YEAR HISTORY(1)**

Levied July 1	City Operating(2)	DPS Ret	City Debt	Special Revenue Funds(3)	DPS Bldg.	Total
2001	10.1887	1.0072	1.1564	2.0000	-	14.3523
2002	10.2563	1.1122	.9838	2.0000	1.9629	16.3152
2003	10.0283	1.5465	.7775	2.0000	1.8807	16.2330
2004	9.9000	1.9564	.4959	2.0000	1.8780	16.2303
2005	10.0366	2.3157	-	2.0000	1.8417	16.1940

- (1) Per \$1,000 of State Equalized Valuation. Excludes taxes levied by other units of government.
 (2) The City has additional 4.9634 authorized mills which can be levied for operating purposes without a vote of the electorate, but limited by the Headlee Amendment.
 (3) Levied only in the City of Big Rapids Downtown Development Authority.

SOURCE: City of Big Rapids

I. City Wide Millages

In addition to the City's tax rates, property owners in the City must pay taxes to other units of local government. City property owners are subject to the following millage tax rates on all taxable property from local units of government for the fiscal year. The millage tax rates applicable in this fiscal year were substantially modified as a result of changes in the mechanisms for funding local public education. (See "Michigan Property Tax Reform" herein.)

Fiscal Year 04/05

	Homestead Properties	Non-Homestead Properties
Big Rapids Public Schools	7.0000	25.0000
City of Big Rapids	14.2303	14.2303
County of Mecosta	7.3817	7.3817
Mecosta Osceola Intermediate School District	4.0931	4.0931
State Education Levy	6.0000	6.0000
Totals	38.7051	56.7051

SOURCE: City of Big Rapids

J. SEV/Taxable Valuation - Five Year History

The City's SEV has increased \$31,280,200 or 20.32% between 1998 and 2003 (see table following). SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements under Abatement Acts (see "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein).

State Equalized and Taxable Valuations 5-Year History

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Year Ending <u>June 30</u>	State Equalized Valuation(1)	Ad Valorem Taxable Valuation	Taxable Valuation (1)
2003	2004	2005	\$190,710,100	\$150,882,610	\$170,526,378
2002	2003	2004	185,188,500	144,520,182	166,830,506
2001	2002	2003	174,606,300	137,038,430	160,575,837
2000	2001	2002	170,158,400	132,105,632	157,416,401
1999	2000	2001	158,224,750	125,745,829	151,572,858

Per capita 2005 State Equalized Valuation is \$17,578 and per capita 2004 Taxable Valuation is \$15,718 based on the 2000 US Census population of 10,849.

(1) Includes tax abatements under Act 198 and Act 255.

SOURCE: City of Big Rapids

Breakdown of 2004 Taxable Valuation:

By Use:	Value	Percent	By Class:	
Residential	\$59,560,240	39.475%	Real Property	79.97%
Commercial	51,250,806	33.967	Personal Property	<u>20.03</u>
Personal	30,215,600	20.026	Total	<u>100.00%</u>
Industrial	9,730,953	6.449		
Agricultural	<u>125,011</u>	<u>.083</u>		
Total	<u>\$150,882,610</u>	<u>100.00%</u>		

SOURCE: City of Big Rapids

K.**PROPERTY TAX COLLECTION RECORD****Five - Year History**

Levied <u>July 1</u>	<u>Tax Levy (1)</u>	Collections to March 1, Year <u>Following Levy</u>	Percent <u>Collected</u>	Collections Plus Funding to <u>June 30, 2003</u>	% Collected Plus Funding <u>June 30, 2003</u>
2000	\$1,712,334	\$1,646,234	96.1	\$1,706,510	99.66
2001	1,785,785	1,726,354	96.7	1,780,367	99.70
2002	2,129,954	2,062,507	96.8	2,117,813	99.43
2003	2,179,960	2,138,178	97.3	2,192,974	99.77
2004	2,276,744	2,175,948	95.6	2,270,914	99.74

(1) Real and personal taxes combined.

SOURCE: City of Big Rapids

L. Legal Debt Margin

Pursuant to the statutory and constitutional debt provision set forth above, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2005, assuming issuance of the Bonds.

2004 SEV	\$171,010,400
Debt Limit (1)	17,101,040
Debt Outstanding (2)	\$8,695,000
Less: Exempt Obligations	<u>4,445,000</u> <u>4,250,000</u>
Additional Debt which can be legally incurred	12,851,040
Debt applicable to limit as a percent of SEV	2.5%

(1) 10% of 2004 SEV
(2) Includes the Bonds.

SOURCE: Municipal Advisory Council of Michigan.

M. Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2005. Bonds designated U.T.G.O. have an unlimited tax pledge, and L.T.G.O. bonds are limited tax pledge bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>	<u>Net Debt Per Capita</u>	<u>Net Debt % of SEV</u>
Water Supply System Revenue Bonds	\$3,275,000	\$3,275,000	\$ -		
Sewage Disposal Revenue Bonds	1,170,000	1,170,000	-		
Cemetery Contribution	105,000	-	105,000		
General Obligation Bonds	<u>4,250,000</u>	<u>-</u>	<u>4,250,000</u>		
Total Direct Debt	<u>\$8,800,000</u>	<u>\$4,445,000</u>	<u>\$4,355,000</u>	<u>2.6%</u>	
<u>City Overlapping (2)</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Per Capita</u>	<u>% of SEV</u>
Big Rapids School District	\$26,687,666	42.62%	\$11,374,283		
Mecosta Osceola County ISD	50,000	9.60	4,800		
Mecosta County at Large	<u>12,715,000</u>	15.06	<u>1,914,879</u>		
Total Overlapping Debt	<u>39,452,666</u>		<u>13,293,962</u>	<u>\$1,225.00</u>	<u>7.8%</u>
Total City Direct and Overlapping Debt	<u>\$48,252,666</u>		<u>\$17,648,962</u>	<u>\$1,627.00</u>	<u>10.3%</u>

- (2) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.

SOURCE: Municipal Advisory Council of Michigan



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 17, 2005

Honorable Mayor and City Commissioners
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Big Rapids, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Big Rapids, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commission, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 17, 2005

Honorable Mayor and Members of the City Council
City of Big Rapids, Michigan

In planning and performing our audit of the financial statements of the City of Big Rapids for the year ended June 30, 2005, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of opportunities for strengthening controls and addressing new accounting issues and future financial reporting requirements. This letter does not affect our report dated August 17, 2005 on the financial statements of the City of Big Rapids.

We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist your personnel in the recommendations. Our comments are summarized as follows:

NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board recently issued Statements No. 43 *Financial Reporting for Post Employment Benefit Plans other Than Pension Plans* and No. 44. *Economic Reporting: The Statistical Section*. Statement No. 43 will become effective for the City for fiscal year 2007-2008 and will require additional disclosure, an actuarial evaluation of those employee benefits granted to retirees and additional expenditure recognition in the government-wide financial statements. Statement No. 44 will become effective for City fiscal year 2005-2006 and requires significant modification to the statistical section of the City's Comprehensive Annual Financial Report. We would be happy to work with your staff to implement these significant new accounting standards.

We wish to thank the Finance Director and the many staff involved in the audit process for their support and assistance during our audit.

This report is intended solely for the information and use of the City Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.